

# The Incorporated Accountants' Journal

The Official Organ of  
The Society of Incorporated Accountants and Auditors

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Letters for the Editors to be forwarded to them, care of the Secretary, as above. Correspondence, copies of reports and accounts, &c., will be welcomed from the profession.

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proposed readjustment. This envisages, for the time being at least, a managed exchange so far as the three countries are concerned, and the co-ordination is to be carried out by the use of exchange equalisation funds, which each of these countries will bring into operation. The French Devaluation Bill sets up an exchange equalisation fund of 10,000 million francs, and the American fund is stated to be 2,000 million dollars.

In these days when so much is heard about Fixed and Flexible Trusts it is interesting to learn the results of other concerns dealing in investments. Last month there was published by *The Times* a list giving particulars of 61 Investment Trust Companies who had issued their accounts during the four months ended July 31st. In all but three cases the net revenue for the year showed an increase on the preceding year, and in total an increase of £189,000, or a little over 7 per cent. The combined net revenue of the 61 companies amounted to £2,804,000.

Another table disclosed that from the middle of 1931 up to the end of 1934 the results announced were showing decreases, but from that time onwards there had been substantial increases in the profits of the companies taken as a whole. The capital position, as might be expected, has also improved, and of the 61 companies above referred to about one-half were able to state that their securities were worth more than book value, whilst the shortage in several others was covered by reserves.

Sir Josiah Stamp in his Presidential Address to the British Association last month, which we publish in this issue, disclaimed any intention of discussing in its entirety the general influence or effect of science upon society, but restricted himself to a study of the social and economic dislocations caused by scientific advance and the methods by which the resultant shocks were absorbed. Referring to the general attitude of

## Professional Notes.

THE outstanding event of last month was the decision of France to devalue its currency—a course which was immediately followed by Belgium, Holland and Switzerland. For some time past France has found great difficulty in maintaining the exchange value of the franc and heavy exports of French gold have been necessary for its protection. In making the announcement France has left herself a fairly wide margin within which the devaluation is ultimately to be fixed, and the effect on the franc-sterling rate of exchange is at present uncertain, but it is anticipated that it will find its level at something over 100. It is stated that the French authorities are aiming at 107.

In connection with this devaluation a monetary agreement has been arrived at between Great Britain, the United States of America and France, under which the three Governments will use their available resources to avoid as far as possible any disturbance of the basis of international exchanges resulting from the

the community to change he asked : did we regard change as an interruption of normal rest and stability, or did we look upon rest and stability as a mere pause in the constant process of change ? In the one case there would be well developed tentacles, grappling irons and anchorages and all the apparatus of security. In the other society would put on castors and roller bearings and all the aids to painless transition. The impact of science would be surprising and painful in the one case, smooth and undamaging in the other.

Discussing the subject of population, Sir Josiah said the problem before all Western industrial countries was the fact that their populations would soon become stationary and would then begin to decline noticeably, and the safety valve of increasing population would no longer be available. The impact of science upon a stationary population was likely to be much more severely felt than upon a growing population, because the changes of science could not be absorbed by the newly-directed workers.

Some rather astonishing statements were contained in a paper on "Sign Language in relation to Human Speech" by Sir Richard Paget, which was read at the meeting of the British Association. Sign language, he said, was incomparably richer than human speech in its number of distinguishable signs. The human hand, including the upper arm, forearm, wrist and fingers, could produce about 700,000 distinct signs. Another remarkable statement was that a sailor from China or the South Sea Islands, finding himself in the Port of London, had no difficulty in communicating with English deaf-mutes. In conclusion, he said that a universal sign language would be of great value as a ready means of communication between people of different tongues and a potent influence for better understanding between nations.

The vexed question of examinations as a reliable test of efficiency continually asserts itself. In the Psychology section at the meeting of the British Association a discussion took place on the reform of the examination system and there was general agreement that more weight should be given to school records and that in the interests of the community—especially of the industrial community—secondary education must not be dominated by the view that its main object was to prepare for the University.

In this connection it is interesting to note that the Chartered Institute of Secretaries has

arranged Examination Preparation Courses at various centres in London and the provinces. In order to encourage students to take advantage of these courses the Council of the Institute has decided that for the ensuing year a pass in certain subjects in the sessional examinations of specified establishments will be accepted in lieu of a pass in the same subjects in the Intermediate examination of the Institute, but it is stipulated that the sessional examination must be taken before a first sitting at the Intermediate examination. The centres specified include certain technical and commercial colleges at Birmingham, Manchester, Liverpool, Sheffield, Newcastle, Glasgow, &c.

The accounts of the Commonwealth of Australia for 1935-36 show a surplus of over £3,500,000 of which £2,000,000 is to be applied to defence, £500,000 in grants to the different States, and the balance to the redemption of the accumulated deficits of past years. In the budget for the current year remissions of taxation are made amounting in all to £5,275,000, consisting mainly of Sales Tax reductions and exemptions £3,000,000, and Income Tax £2,000,000. The normal Income Tax is reduced by 10 per cent. and absentees are allowed the same statutory exemption as residents.

There has been submitted to the Chancellor of the Exchequer by the Income Tax Payers' Society a lengthy memorandum containing criticisms and proposals concerning the draft Income Tax Bill prepared by the Income Tax Codification Committee. The memorandum was drawn up by a committee under the chairmanship of Sir Percy Thompson, late deputy chairman of the Board of Inland Revenue.

It is noticeable that time after time, in cases which come before the Courts, one or other of the parties describes himself as "an accountant" without any real justification. In the Mayor's and City of London Court the other day Judge Shewell Cooper made some observations on this matter which are worth recording. He said : "There are a very large number of people, many of whom we get in this Court, who call themselves accountants ; they are neither Chartered Accountants nor Incorporated Accountants nor members of any other body of the same type. Their chief qualification to call themselves accountants appears to be that they are able to add up a column of figures with reasonable accuracy."

At the Provincial Meeting of the Law Society held at Nottingham last month a proposal was submitted in one of the papers that power should

be given to have disputes referred to the determination of a Judge sitting as arbitrator, the hearing of the arbitration to be in open Court with restrictions as to reporting the case in the Press. Frequently one of the main objects of settling a dispute by arbitration is to keep the proceedings private, and a hearing in open Court would defeat that object. The imposition of a restriction as to Press reports would not meet the case, as anyone could attend the hearing.

On September 16th the Post Office Savings Bank celebrated its 75th anniversary, and a congratulatory message was sent to the Postmaster-General by the Chancellor of the Exchequer. On the evening of the same day the Postmaster-General, in a broadcast speech, stated that the Savings Bank entered upon its 76th year with a record total of nearly £600,000,000 standing to the credit of its customers. Of this amount £414,000,000 is due to depositors, who number some 10,000,000, and the balance is mainly represented by investment accounts. A further amount of nearly £500,000,000 is represented by Savings Certificates, for the working of which the Post Office is also responsible, so that the savings movement of the Post Office accounts for a total of about £1,100,000,000.

On the day the Savings Bank first opened, five clerks were sufficient for the work at the Head Office; now the Head Office staff totals 3,500, and it is stated that the Bank's printing press and envelope-making plant, which is housed in the headquarters building, turns out annually 4,000,000 books of various kinds, 60,000,000 forms and 72,000,000 envelopes.

The British petrol consumption of 130,000,000 gallons for the month of July last constituted a record, being about 10½ million gallons more than in the preceding month and nearly 4,000,000 gallons above the previous high record which occurred in July, 1935. Compared with the preceding year the consumption has been rising month by month, and the first seven months of the current year show a total increase of about 17½ million gallons. It is calculated that motor vehicles consume about 97 per cent. of the total petrol used in this country, so that the increased consumption indicates a very substantial increase in the number of motor cars and commercial vehicles on the roads, a condition which is confirmed by observation.

Considerable attention has been devoted recently by the *Financial Times* to what is known as the "Dow Theory" in relation to investments. This theory originated in America through a certain Charles A. Dow, who conceived the idea that the movements of Stock Exchange prices might have certain recurrent phases from which information regarding future action might be gleaned. In this country the theory is based on the daily index numbers for groups of representative Industrials and Home Rails plus the daily number of readings recorded. Index numbers of this character are published daily in the financial Press.

The Dow Theory is based on three separate movements which go on simultaneously, namely, the primary or year-to-year trend, the secondary or month-to-month trend, and the minor or daily fluctuations. These three movements are analysed in order to arrive at an opinion of the future trend of prices. The conclusion to be arrived at depends upon the mutual confirmation of the averages and not on the movement of one average alone. It is claimed that no sustained movement has ever taken place without the averages of both Industrials and Rails moving more or less together, the reason adduced for this being that no great expansion of industry can occur without the necessary raw materials and finished goods being transported.

## QUALIFICATIONS AND PART PAYMENT OF DIRECTORS.

A POINT of some importance to auditors came before the Court of Appeal recently in the case of *Craven-Ellis v. Canons, Limited*.

The plaintiff entered into an agreement with the defendant company under which he was to become the managing director of the company for a stated remuneration. He did in fact act in this capacity, but since he failed to take up the qualifying shares prescribed by the Articles, at the expiration of two months from the date of his appointment he ceased to be a director under sect. 141 of the Companies Act, 1929. In these circumstances, the plaintiff claimed remuneration for the work he had done as managing director of the company. He claimed in the first place under the contract of employment, and alternatively on a *quantum meruit*.

The company defended the action on the ground that, since it was the duty of the plaintiff

to qualify himself for his appointment by taking up the number of shares prescribed by the Articles and he had failed to do so, the contract was not binding on the company. With this argument the Judge in the Court of first instance was in agreement. He held, moreover, that a claim for payment on a *quantum meruit* depended on an implied request for services by the company, and that, as an express request negatived such an implied request, no action on a *quantum meruit* would lie. In arriving at this conclusion the Judge relied upon the decision in *re Allison, Johnson & Foster* (1904), in which it was held that where the appointment of a liquidator was improperly made, he could not sue for payment for services rendered unless the services were voluntarily adopted.

The Court of Appeal questioned the dictum on which this decision was founded. They held that the fact that work was done under an agreement which was void, did not preclude a person from recovering on a *quantum meruit*; and, allowing the appeal, they awarded payment to the plaintiff. The report of the case unfortunately does not reveal the wording of the remuneration clause in the contract of service or the wording of the Article which determined the qualification of the directors. It is not possible, therefore, to determine definitely to what extent this decision affects the earlier reported cases on the right of a director to claim remuneration for part of a year's service.

In *Inman v. Ackroyd & Best, Limited* (1901) the Articles provided that the remuneration of directors was to be "the sum of £125 per annum per director." It was held in this case that, as there was an entire contract, a director who served for less than a year was not entitled to sue on a *quantum meruit*. It was pointed out, however, that it would have been otherwise had the Articles stated that the remuneration was to be "at the rate of £125 per annum." In *Woolf v. East Nigel Gold Mining Company* (1905), the Articles were so worded that the holding of qualifying shares was made a condition precedent to the appointment of a director. In this case it was held that, since a person who acted as director was never in fact a director at all, he was not entitled to remuneration as a director for the period during which he acted as such. On the other hand, in *Salton v. New Beeston Cycle Company* (1899), where the Articles, being in common form, made the acquisition of qualifying shares a condition subsequent to the appointment of a director, remuneration for the two months which elapsed before the appointment became invalid was allowed.

The extent to which these earlier decisions have been affected by *Craven-Ellis v. Canons, Limited*, is not as clear as could be desired; but where it is necessary, in the course of an audit, for instance, to determine whether a payment to a director who has failed to take up his qualifying shares is lawful, the following working rules may be applied.

First, it is necessary to ascertain by reference to the Articles whether the holding of qualifying shares is a condition precedent or a condition subsequent to the appointment of a director. If the Articles provide that no person shall be capable of acting as a director "unless he shall have acquired" a certain number of shares, the acquisition of the shares is a condition precedent to appointment. In such a case it seems that a person, who acts as a director without acquiring the necessary qualifying shares, is not entitled to remuneration unless the company voluntarily adopts the work he does as director.

On the other hand, if the Articles are in the same form as Table A, the acquisition of qualifying shares is a condition subsequent to appointment, and even though the person appointed director fails to take up the necessary shares, during the two months after the appointment the person appointed is in fact a director. In this case, having ascertained that the acquisition of the necessary shares is a condition subsequent to appointment, and not a condition precedent, it is next necessary to discover whether the contract of employment is divisible or entire. If the remuneration of the director as stated in the Articles or in the contract of employment, as the case may be, is stated to be "at the rate of" so much per annum, the contract is divisible. In that case payment on a *quantum meruit* can be claimed for services rendered as director, notwithstanding that the appointment becomes invalid subsequently. On the other hand, if the remuneration is stated to be "a sum of" so much per annum, as in *Inman v. Ackroyd & Best, Limited*, the contract is entire. In such case no payment on a *quantum meruit* can be claimed unless the invalidity of the appointment is the fault of the company, or the company voluntarily adopts the work done by the director.

#### LUNCHEON TO SIR STEPHEN KILLIK.

The Incorporated Accountants' London and District Society is entertaining to luncheon, Sir Stephen Killik, G.B.E., K.C.V.O., F.S.A.A. The luncheon will be at the Savoy Hotel, on Thursday, October 15th, and Mr. Edward Baldry, the Chairman, will preside.

## Society of Incorporated Accountants and Auditors.

### MEMBERSHIP.

The following additions to the Membership of the Society have been completed since our last issue:—

#### ASSOCIATES.

ARMSON, GEORGE FREDERICK HUBERT, with Reginald A. Powdrill, 31, Nottingham Street, Melton Mowbray.  
 BAMPFORD, HERBERT VIVIAN, with J. Pearson & Son, 5, Godwin Street, Bradford.  
 BOTHWELL, ALEXANDER MARKHAM, formerly with Allen & Baldry & Holmans, Bibao House, 36, New Broad Street, London, E.C.2.  
 CHAUVEAU, ROBERT WILLIAM, with F. Whalley & Co., 21, Harrington Street, Liverpool.  
 COORLAND, LAZARUS, formerly with Bennett & Grainger, Portland House, 73, Basinghall Street, London, E.C.2.  
 DARBY, ROBERT GERALD, with W. W. Beer, Aplin & Co., 17, Bedford Circus, Exeter.  
 FEAKINS, ROWLAND JOHN, with Arthur M. Hobbs & Co., 64, Great Portland Street, London, W.1.  
 GOW, BASIL WEIR, with J. E. Denney, Bogle & Co., 120, Moorgate, London, E.C.2.  
 HARRIES, SYDNEY JAMES, with Jones, Rorathan, Thompson & Co., 34, Blue Street, Carmarthen.  
 HEATH, FREDERICK THOMAS (Walker & Heath), 91, Shaftesbury Avenue, London, W.1, Practising Accountant.  
 JAKEMAN, THOMAS ERIC, with Harold F. Joy, 28, St. Thomas Street, Weymouth.  
 LEHEUP, EDWARD, with Leslie A. Tomlinson, Eldon Chambers, Wheeler Gate, Nottingham.  
 MCKENZIE, THOMAS METCALF, with Metcalf, McKenzie & Co., 32, West Sunniside, Sunderland.  
 MUNDY, ISRAEL JUDAH, with Levy, Hyams & Co., 39, Cheapside, London, E.C.2.  
 OSMAN, DAVID, Borough Treasurer's Department, Guildhall, Swansea.  
 PATES, JOSEPH KENNETH, Borough Treasurer's Department, Town Hall, Ilford.  
 PEARSON, NORMAN, with Rawlinson, Smith & Mitchell, 1a, Manor Row, Bradford.  
 PENHALE, HERBERT RICHARD, Borough Treasurer's Department, Guildhall, Swansea.  
 PHILLIPS, WILLIAM STANTON, with Egerton, Chater & Co., 74, Cheapside, London, E.C.2.  
 PRATT, DOUGLAS GEORGE, with Henry J. B. Feist, 44, Rectory Grove, Leigh-on-Sea.  
 PRIME, SIDNEY GEORGE, with Ball, Baker & Co., Spencer House, South Place, London, E.C.2.  
 RILEY, KENNETH JOHN, with A. J. Palmer, Portland Chambers, West Street, Fareham.  
 ROSS, NEIL JAMES, with Wylie & Hutton, 17, Duke Street, Edinburgh.  
 SMALLMAN, BENJAMIN ALBERT, with Howard Smith, Thompson & Co., 11, Waterloo Street, Birmingham.  
 SMITH, JOHN ROBERTS, with M. S. Bradford & Co., Shell Mex House, Strand, London, W.C.2.  
 SPORLE, WALTER GEOFFREY, with Alfred Nixon, Son and Turner, 31-37, Victoria Buildings, St. Mary's Gate, Manchester, 1.  
 SYKES, STANLEY WILLIAM, Borough Treasurer's Office, Town Hall, Wallasey.  
 TAIT, HAROLD JAMES WILLIAM, Borough Treasurer's Department, Municipal Buildings, Redcar.  
 THOMPSON, JAMES, with C. Percy Barrowcliff & Co., 55-57, Albert Road, Middlesbrough.  
 WHITE, KENNETH HAROLD, with Nicholson, Beecroft & Co., 5, Cheapside, London, E.C.2.  
 WILLIAMS, JOHN EMLYN, with Percy R. Hayes, Midland Bank Chambers, High Street, Wrexham.  
 WOLFDEN, CHARLES REGINALD, with Lewis & Mounsey, 3, Lord Street, Liverpool, 2.

WOODS, THOMAS WILLIAM, Comptroller's Department, Metropolitan Water Board, 173, Rosebery Avenue, London, E.C.1.

### FORTHCOMING EVENTS.

1936.

Oct. 2nd. *Birmingham District Society.* At Birmingham. Golf match with Inspectors of Taxes (Birmingham).  
*North Staffordshire District Society.* At Hanley at 6.30 p.m. Lecture by Sir Thomas Keens, F.S.A.A., on "The Etiquette of the Profession."

Oct. 6th. *London Students' Society.* At Incorporated Accountants' Hall at 6.15 p.m. Lecture by Mr. Collin Brooks, on "The Professional Man and the Distribution of Leisure Problems."

Oct. 7th. *North Lancashire District Society.* At Preston at 7.30 p.m. Lecture by Mr. W. G. Wallwork, A.C.A., on "Income Tax—Claims for Relief, &c."

Oct. 8th. *Sheffield District Society.* At Sheffield at 6.30 p.m. Lecture by Mr. C. G. Woodfield, F.R.Econ.S., on "Some Principles of Income Taxation illustrated from recent High Court Decisions."

Oct. 9th. *Liverpool District Society.* At Liverpool at 6.15 p.m. Opening of Liverpool Incorporated Accountants' Hall, by the Lord Mayor of Liverpool, followed by Dinner and Dance.  
*Hull District Society.* At Hull. Lecture by Mr. C. G. Woodfield, on "Total Income from all Sources." Students' Meeting.

Oct. 13th. *Manchester District Society.* At Manchester at 6.15 p.m. Students' Mock Shareholders' Meeting.  
*South Wales and Monmouthshire District Society.* At Cardiff. Lecture by Mr. Walter Holman, F.S.A.A., on "Some Practical Points in Auditing." (Joint Meeting with Swansea and South-West Wales and West of England District Societies.)  
*Leicester District Society.* At Leicester at 6 p.m. Lecture by Mr. F. Shaw, on "Company Liquidations."

Oct. 14th. *London Students' Society.* At Incorporated Accountants' Hall at 6.15 p.m. Lecture by Mr. W. J. Back, A.S.A.A., on "General Knowledge. The questions on Company Practice II."

Oct. 15th. *Yorkshire District Society.* At Leeds at 6.30 p.m. Lecture by Mr. W. H. Grainger, F.S.A.A., on "Executorship Law and Accounts."

Oct. 16th. *Liverpool District Society.* At Southport at 7.30 p.m. Lecture by Mr. S. R. Dodds, M.A., LL.B., on "The English Legal System."

Oct. 17th. *Manchester District Society.* At Manchester at 6.15 p.m. Lecture by Mr. A. E. Kavanagh, F.C.A., on "Fixed Trusts." Joint Meeting with Manchester Branch of Chartered Institute of Secretaries.  
*Nottingham, Derby and Lincoln District Society.* At Nottingham. Opening Evening.  
*Sheffield District Society.* At Sheffield at 6.30 p.m. Lecture by Mr. W. H. Grainger, F.S.A.A., on "Executorship Accounts."

Oct. 18th. *London and District Society.* At the Savoy Hotel at 1 p.m. Luncheon to Sir Stephen Killik, G.B.E., K.C.V.O.  
*East Anglian District Society.* At Norwich at 7.30 p.m. Lecture by Mr. Arthur Duxbury on "The Art of Public Speaking."

Oct. 19th. *North Staffordshire District Society.* At Hanley at 6.30 p.m. Students' Night.  
*Birmingham District Society.* At Birmingham at 6.30 p.m. Lecture by Mr. G. B.

Oct. 20th. *Burr, F.C.L.S.*, on "The Alteration in the Law brought about by the 1936 Act."

*London Students' Society.* At Incorporated Accountants' Hall at 6.15 p.m. Lecture by Mr. D. Mahony, F.S.A.A., on "Can Insolvency Law and Practice be Simplified?"

*Yorkshire District Society.* At Leeds at 6.30 p.m. Lecture by Mr. Richard A. Witty, F.S.A.A., on "The Incidence and Ethics of Tax Avoidance."

Oct. 21st. *Sheffield District Society.* At Sheffield at 6.30 p.m. Lecture by Mr. Richard A. Witty, F.S.A.A., on "The Incidence and Ethics of Tax Avoidance."

Oct. 22nd. *Devon and Cornwall District Society.* At Plymouth at 6.30 p.m. Lecture by Mr. Percy H. Walker, F.S.A.A., on "Debentures and the Powers and Duties of Receivers appointed by the Debenture Holders."

*Liverpool District Society.* At Chester at 6.45 p.m. Lecture by Mr. A. F. Stansfield, A.C.A., on "Investigations."

Oct. 23rd. *Devon and Cornwall District Society.* At Exeter at 6.30 p.m. Lecture by Mr. Percy H. Walker, F.S.A.A., on "Debentures and the Powers and Duties of Receivers appointed by the Debenture Holders."

*Hull District Society.* At Hull. Lecture by Mr. D. Morgan, A.S.A.A., on "Bankruptcy." Students' Meeting.

*Manchester District Society.* At Manchester at 6.15 p.m. Lecture by Mr. A. E. Mosley Roberts, A.C.A., on "Mechanisation and the Auditor."

Oct. 27th. *Leicester District Society.* At Leicester at 6 p.m. Lecture by Mr. W. J. Simpson, F.R.Econ.S., on "The Foreign Exchanges under Present-day Conditions."

Oct. 28th. *Liverpool District Society.* At Liverpool at 6.15 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "The Accountancy Provisions of the Companies Act."

Oct. 29th. *Irish Branch.* At Dublin. Annual Dinner.

*North Lancashire District Society.* At Preston at 7.30 p.m., Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "Auditing Case Law."

Oct. 30th. *Manchester District Society.* At Manchester at 6.15 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "Executorship Law and Accounts." Students' Night.

### THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS

Mr. Ernest E. Edwards, B.A., LL.B., having decided to practise at the Chancery Bar in Liverpool, has tendered to the Council his resignation as Parliamentary Secretary of the Society, and his resignation has been accepted with regret.

#### Incorporated Accountants' Examinations.

Examination of Candidates for admission to the Society of Incorporated Accountants and Auditors will be held on May 3rd, 4th, 5th and 6th, 1937, in London, Manchester, Cardiff, Leeds, Glasgow, Dublin, Belfast, Cape Town, Johannesburg and Durban.

Women are eligible under the Society's regulations to qualify as Incorporated Accountants upon the same terms and conditions as are applicable to men.

Particulars and forms are obtainable at the Office of the Society, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2.

Mr. C. G. Garratt-Holden, who has been associated with the Institute of Municipal Treasurers and Accountants for over ten years (since 1933 as Secretary) has recently been appointed Secretary of the Building Societies Association.

### Correspondence.

#### Landlord and Liquidation.

To the Editors, *Incorporated Accountants' Journal*.  
Sirs,—In his lecture on Insolvency published in the August issue, Mr. Charles M. Dolby, F.S.A.A., expresses the opinion that a landlord cannot distrain after he has received notice of a meeting to wind up. He quotes in support of his opinion, section 268 of the Companies Act, 1929, but this section refers to execution creditors, and a landlord is not of this class. He possesses a far speedier and much more effective weapon, namely, the power to distrain. It is my opinion that he can distrain up to the very moment before the passing of a resolution in a voluntary winding-up. He is also entitled to notice of the meeting summoned to consider the passing of a resolution to wind up so that he can, by acting promptly, put in a distress in every case of a voluntary winding up. I base this opinion on the Companies Act, 1929, sect. 264(16), which enacts "In the event of a landlord . . . having distrained . . . within three months next before the date of a winding-up order . . ." It is, therefore, clear that, if a winding-up order is made on August 1st, 1936, a landlord can distrain up to sunset on July 31st, 1936. This is the position in a compulsory winding-up. What is the position in any other mode of winding-up? By sect. 264(7), the "commencement of the winding up" is equated with the "date of the winding up order." The term "commencement of the winding up" means the date of the passing of the resolution to wind up, *vide* sect. 227. Hence, by inference, there appears to be a clear power given the landlord to distrain up to (at least) the day before the day of passing the resolution.

Admittedly, the point is not free from doubt, and as it is a very important point, perhaps some readers may care to give the result of their experience. I know of one well known firm of bailiffs who are willing to levy at any time before the passing of the resolution (in voluntary liquidations), so it seems their opinion coincides with mine.

Yours truly, E. H.

#### An Income Tax Problem.

To the Editors, *Incorporated Accountants' Journal*.

Sirs,—The following tax problem may interest readers. It has arisen in practice.

A., a resident of the Irish Free State, died intestate in 1929, leaving a widow and five children. He had a business which was carried on by members of the family, and for the years 1929-30 to 1935-36, the profits were divided one-third to the widow, and two-fifteenths each child, according to the rules of intestacy prevailing in the Irish Free State. Assessments were raised accordingly. While the business appeared to show fairly substantial profits on paper, its actual cash position was such that it was unable to pay out the share of profits due to one of the children, a teacher in Northern Ireland, who is in receipt of a salary as such in excess of all allowances, and on which tax has been duly paid. An £3 claim has been completed by her, by which her share of the business profits arising in the Irish Free State has been transferred for assessment in Northern Ireland. She has not, however, received any share of these profits, and collectors' demands have now been issued for about £100 tax in connection therewith. It is impossible for her to obtain anything out of the business as it failed this year by reason of its inability to meet its liabilities.

Can you, Sir, or any reader, suggest any way in which this tax liability may be avoided, as the Inspector is relying on the decision in *The Mersey Docks and Harbour Board v. Lucas*, which stated that "the destination of

profits once earned cannot affect the question of their assessability to tax." He further contends that she was legally entitled to require payment; that it cannot be claimed that she needs to handle the money in person to attract assessment; and that if she left her share in the business, and it was withdrawn by other partners in excess of their own shares, she must be deemed to have made a voluntary allowance to her relatives for their maintenance.

Yours truly,  
A.S.A.A.

Dublin, September, 1936.

#### Cash Sales and Receipt Stamps.

To the Editors, *Incorporated Accountants' Journal*.

DEAR SIRS.—As a regular reader of the *Incorporated Accountants' Journal* I shall be pleased if you will give me some definite information on the following:—

"Whether in the case of a cash sale amounting to £2 or over the receipt given requires to have a twopenny stamp affixed to it."

None of the legal text books referred to by me makes any reference to cash sale transactions being exempted from stamp duty as in the case of wages, rates, &c., payments, yet in actual practice, to a large extent, it appears to be the custom to dispense with stamping the receipts for cash sales.—Yours faithfully,

Belfast,

N. BLACK, A.S.A.A.

September, 1936.

[If a receipt is given for a cash sale amounting to £2 or over the receipt requires a twopenny stamp. In the case of ready money transactions, however, there is no debt in respect of which a discharge is necessary, and if no receipt is given the position appears to be that no stamp duty is incurred. The document usually given in shops when goods are sold and paid for over the counter is regarded as merely a form of voucher, and not a receipt.—EDS., "I.A.J."]

#### Obituary.

##### JOSEPH BILLINGHAM ELAND.

We regret to learn of the death, on August 23rd, of Mr. J. B. Eland, F.S.A.A., at the age of 74. Mr. Eland became an Associate of the Society of Incorporated Accountants in 1903, and a Fellow in 1918. When he retired in 1931 he had been in public practice in the City of London for over 20 years, and for an even longer period had held the position of accountant to the Salvage Association. He was also a lecturer on marine insurance at the City of London College.

##### JOHN ERNEST HELLMUTH.

Last month the death occurred at the early age of 24 of Mr. J. E. Hellmuth, A.S.A.A. Mr. Hellmuth became a member of the Society of Incorporated Accountants in 1935, after serving articles with Mr. Frank N. Clarke, F.S.A.A., a partner in Messrs. Hilton, Sharp and Clarke, in whose Brighton office he remained until the date of his death.

##### LIONEL ERNEST BROOKSBY JACOB.

We record with regret the death on August 14th of Mr. L. E. B. Jacob, M.C., A.S.A.A., who had been a member of the Society of Incorporated Accountants and Auditors since 1921. Mr. Jacob was 41 years of age, and for twenty-five years was associated with Messrs. Jacob and Haynes, Incorporated Accountants, 146A, Queen Victoria Street, London, E.C.4. He was articled to his father, the late Mr. E. S. Jacob, F.S.A.A., and was admitted to partnership soon after becoming a member of the Society. During the War he served for four years in the Army, in which he held the rank of captain. The funeral service took place at St. John's Church, Bromley, on August 19th

## The Impact of Science upon Society.

PRESIDENTIAL ADDRESS delivered to the British Association at Blackpool on September 9th by

SIR JOSIAH STAMP, G.C.B., G.B.E., D.Sc.

SIR JOSIAH STAMP said: During the past year we have had to mourn the loss of our Patron, King George V, but to rejoice in the honour done us by His Majesty King Edward VIII, himself our most illustrious past President, in taking that office.

Since the beginning of this century the British Association has, till now, added only one new place of meeting in this country to its list. Blackpool can certainly do for science in the North all that Bournemouth achieved in the South: give our record new vigour and itself a new friend.

The reactions of society to science have haunted our presidential addresses with various misgivings for some years past. In his great centenary address General Smuts, answering the question "What sort of a world picture is science leading to?" declared that one of the great tasks before the human race is to link up science with ethical values, and thus to remove grave dangers threatening our future. For rapid scientific advance confronts a stationary ethical development, and science itself must find its most difficult task in closing a gap which threatens disruption of our civilisation, and must become the most effective drive towards ethical values. In the following year a great engineer spoke as a disillusioned man, who watched the sweeping pageant of discovery and invention in which he used to take unbounded delight, and concluded by deplored the risk of losing that inestimable blessing, the necessity of toil and the joy of craftsmanship, declaring that spiritual betterment was necessary to balance the world. Then came the President of the Royal Society, a supreme Biochemist, on the perils of a leisure made by science for a world unready for it, and the necessity for planning future adjustment in social reconstructions. Followed the Astronomer, deplored man's lack of moral self-control; in knowledge man stands on the shoulders of his predecessor, whereas in moral nature they are on the same ground. The wreck of civilisation is to be avoided by more and not by less science. Lastly, the Geologist gloried in the greatest marvel of millions of centuries of development, the brain of man, with a cost in time and energy that shows us to be far from the end of a mighty purpose, and looking forward confidently to that further advance which alone can justify the design and skill lavished on such a task. So the Geologist pleads then for scientific attention to man's mind. He has the same faith in the permanence of man's mind through the infinite range of years

"Which oft hath swept this toiling race of men

And all its laboured monuments away,"

that is shown at the Grand Canyon, where, at the point exposing, in one single view, over a billion and a half years of the world's geological history, a tablet is put to the memory of Stephen Tyng Mather, the founder of the National Park Service, bearing what is surely the most astonishing scientific expression of faith ever so inscribed:

"There will never come an end to the good that he has done."

We have been pleading then in turn for ethical values, for spiritual betterment, for right leisure, for moral advance, and for mental development, to co-ordinate change in

man himself with every degree of advance in natural science in such a harmony that we may at last call it Progress. This extension of our deeper concern beyond our main concern is not really new, but it has taken a new direction. I find that exactly one hundred years ago there was a full discussion of the moral aspects, a protest that physical science was not indeed, as many alleged, taking up so much of the attention of the public as to arrest its study of the mind, of literature and the arts ; and a round declaration that by rescuing scientists from the narrowness of mind which is the consequence of limiting themselves to the details of a single science, the Association was rendering "the prevailing taste of the time more subservient to mental culture." A study of these early addresses shows that we are more diffident to-day in displaying the emotions and ideals by which I do not doubt we are all still really moved. But they also show that we are preoccupied to-day with some of the results of scientific discovery of which they were certainly then only dimly conscious. A part of that field, which ought itself to become scientific, is my theme to-day.

#### THE MEANING AND INCIDENCE OF IMPACT.

What do we mean by impact ? My subject is *not* the influence or effect of science upon society—too vast, varied and indeterminate for such an occasion. We may consider the position of the average man, along a line of change we call "progress," at the beginning of a certain interval of time and at its end. We might then analyse how much is due to a change in the average man himself, his innate physical and mental powers, and how much to other influences, and particularly to science. We may debate whether the distance covered is great or small by some assumed standard, and whether progress has been rapid. We might ask whether the direction has been right, whether he is happier or better—judged again by some accepted standard. But our concern here is with none of these questions. I ask whether the transition has been difficult and distressing, in painful jerks and uprootings, costly, unwilling, or unjust ; or whether it has been easy, natural and undisturbing. Does society make heavy weather of these changes, or does it, as the policeman would say, "come quietly" ? The attitude of mind of our order may be either that change is an interruption of rest and stability, or that rest and stability are a mere pause in a constant process of change. But these alternatives make all the difference to its accommodating mechanisms. In one case there will be well developed tentacles, grappling irons, anchorages, and all the apparatus of security. In the other, society will put on castors and roller bearings, cushions, and all the aids to painless transition. The *impact* of science will be surprising and painful in the one case, and smooth and undamaging in the other. Whatever may be the verdict of the past, is society and its institutions now learning that change is to be a continuous function, and that meeting it requires the development of a technique of its own ?

Science itself has usually no immediate impact upon institutions, constitutions and philosophies of government and social relations. But its *effects* on people's numbers, location and habits soon have ; and the resistance and repugnance shown by these institutions and constitutions to the changed needs may rebound or react through those effects upon scientific enterprise itself and make it more precarious or more difficult. Thus the effect of applications of electricity and transport improvements is clearly to make the original areal extent of city or provincial governments quite inappropriate, and the division of functions and methods of administration archaic. If these resist

change unduly they make it more difficult and frictional, and the applications of science less profitable and less readily acceptable. Time makes ancient good uncouth. When two bodies are violent or ungainly in impact, both may be damaged. If the written constitution of the United States, devised for the "horse and buggy" days, still proves not to be amenable to adjustment for such demands, it will be difficult to overstate the repercussion upon economic developments and the scientific enterprise that originates them. Let any Supreme Court Decision of unconstitutionality on the Tennessee Valley experiment in large scale applied science to natural problems on a co-ordinated plan bear witness. Such unnecessary resistance may be responsible for much of what has been aptly called "the frustration of science." Avoidable friction in the reception given to scientific discovery not only deprives the community of advantages it might otherwise have enjoyed much earlier, or creates a heavy balance of cost on their adoption ; it may also discourage applied science itself, making it a less attractive and worthwhile pursuit. In that sense we are considering also the impact of society upon science. This too is not new. The Association had as one of its first objects "to obtain a more general attention to the objects of Science, and a removal of any disadvantages of a public kind which impede its progress." The first address ever offered affirmed that the most effectual method of promoting science was the removal of the obstacles opposing its progress, and the President instanced the very serious obstacles in the science of optics due to the regulations relating to the manufacture of glass. To-day perhaps the scientist places more stress upon the failure of governments to encourage, than upon their tendency to discourage. So much then for the *idea* of impact. Is the scientist or inventor responsible for impact, and if not, who is ?

Elsewhere I have retouched Jeremy Bentham's poignant picture of the inventor of over a century ago, plans and cap in hand, on the doorstep of the rich or influential, waiting for someone to believe in him. From this type of external "sport" amongst engineers and scientists came much or most industrial innovation, external to the processes of business. To-day, in the older and applied sciences affecting industry the solo scientist is the exception and, with the large research departments of particular businesses and trade research associations, the picture is quite different—the expenditure higher, but the results much more rapid and numerous even if for a time they may be kept secret. Although records of finished work may be available over the civilised world, there is much overlapping of current work, but the price of this as a whole is a far smaller fraction of the total result, if we omit from our consideration the first magnitude discoveries of epoch-making influence. The industrial community is now far more amenable than hitherto to scientific influence, indeed it is often the instigator in the mass of minor advances. The new epoch of concerted industrial research dates really from the end of the great war. During all that time I have held some middle position of responsibility between the research laboratories and institutes on the one hand, and the costing and profit and loss accounts on the other, and my impression is that the proportion of work in which the initiation comes from the business end is steadily increasing. In studies of the periods of scientific and industrial gestation respectively, I have elsewhere defined *scientific gestation* as the time elapsing between the first concept of the idea and its public presentation to society in a form substantially that in which it ultimately finds extensive use without important modification ; and *industrial gestation* as the period

elapsing from this point to the date when in an economic or industrial sense the innovation is effective. Both periods are difficult to determine exactly in practice, but on a broad view, the period of industrial gestation, with which alone I am here concerned, appears to me certainly to have shortened materially, though possibly at greater social cost. It would obviously be so if industry is actively encouraging research. "Faraday's discoveries came at the beginning of the great steam era, and for fifty years there would have been no difference in transport even if those discoveries had not been made," for the telegraph was the only material influence upon it, and practical lighting was delayed till 1900.

In nearly every scientific field there is sub-division of labour, and it is rare that the worker who digs out new truth "at the face," so to speak, is also responsible for bringing it to the surface for the public use, still less for distributing the new scientific apparatus or ideas broadly, and even less for the profitable exploitation of the whole process. These functions are nearly always distinct, even though they are embraced under the one general popular description; chemist, engineer, &c. But in few cases is it any part of the professional training in the subject itself, to study how new products or processes affect the structure or welfare of society. I have questioned many scientific workers, and find them, of course, keenly alive to the positive and direct beneficial effects of their work, but they have rarely any quantitative ideas as to negative, indirect and disturbing consequences. All these discoveries, these scientific infants, duly born and left on the doorstep of society, get taken in and variously cared for, but on no known principle, and with no directions from the progenitors. Nor do the economists usually acknowledge any duty to study this phase, to indicate any series of tests of their value to society, or even of methods and regulation of the optimum rate of introduction of novelty. These things just "happen" generally under the urge of profit, and of consumers' desire, in free competition, regardless of the worthiness of new desires against old, or of the shifts of production and, therefore, employment, with their social consequences. The economist rightly studies these when they happen, but he is not dogmatic about them not being allowed to happen at all in just that way on account of the social disturbance or degradation of non-economic values which they may involve. It is truly a "no-man's land" for it is rarely that the functions of government begin until a vested problem exists. Especially in Britain we do not anticipate—"Don't worry,—it may never happen." Problems with us are usually called "academic" until we are "going down for the third time." It is a maxim of political expediency not to look too far ahead, for it is declared that one will always provide for the wrong contingency. The national foresight over wireless was exceptional, and it has to be contrasted with the opportunist treatment of the internal combustion engine. In reply, it can, of course, be urged that no one can foresee just how a scientific idea will develop until it is tried out, rough and tumble, in economic society, and to make anticipatory rules may even hinder its development.

It is rightly stated that the training of the scientist includes no awareness of the social consequences of his work, and the training of the statesman and administrator no preparation for the potentiality of rapid scientific advance and drastic adjustment due to it, no provision of the technical forces which are shaping the society in which he lives. The crucial impact is nobody's business.

When the research worker lifts his attention from his immediate pursuit and contemplates its hinterland, he has three possible areas of thought. He may dwell upon its

practical applications and seek to make them as immediate and realistic as possible; moved by the desire not to be merely academic, he may return to his task, to focus his attention primarily on what is likely to be of practical utility, rather than on what is intellectually intriguing. Or he may think of its ultimate social consequences, and speculate on the shifts in demand, the unemployment, the loss of capital, the ultimate raising of the standard of life that may result—in other words, he may engage in economic prevision and social and political planning for the results of his efforts. Or in the third place, he may listen and watch for hints from other fields of scientific study which may react upon his own, and suggest or solve his problems. I do not attempt to give these priority. Economic and political prevision is the most difficult and precarious, because it needs a technique different from his own, and is not given by the light of nature. Specialist scientists have no particular gifts for understanding the institutional processes of social life and the psychology of multiple and mass decisions. It is a tortuous and baffling art to transmute their exact findings into the wills and lives of unscientific millions. But quite a number engage in the pursuit and have not much greater aptitude as amateur ministers of foresight than statesmen would have in planning research. Fewer are skilled, however, in what should be the most appropriate auxiliary to their work—the synthesising of scientific knowledge. The more penetrating they are in their main pursuits, the less may they absorb through analogy or plain intimation from outside. We constantly hear that the average clinical application lags much farther behind the new resources of diagnosis from the laboratory than circumstances compel. But it may be the other way round. The strongest hint of the presence of a particular factor—a positive element in beri-beri—was given by the clinician to the bio-chemist, who relied entirely on the *absence* of a particular factor, a negative element, no less than fifteen years before the bio-chemist took serious notice, looked for it, and found it. Bacteriology and chemistry await the advance of the bio-chemist before they come effectively to each other's assistance. The cause and prevention of the obstinate degree of maternal mortality are objects pursued *ad hoc*, with hardly a casual glance at the direct appeal of the eugenist to observe the natural consequences of an improvement in female infant mortality two decades earlier.

I do not then pretend to dogmatise as to how far the scientist should become a social reformer. One physicist welcomes the growing sense of social responsibility, among some scientists at least, for the world the labours of their order have so largely created, though he deplores that in this field they are still utterly unscientific. Then another great authority, Sir Henry Dale, declares that it is the scientists' job to develop their science without consideration of the social uses to which their work might be put.

I have long watched the processes by which the scientific specialist "makes up his mind" in fields of enquiry outside his own. It seems still a matter for investigation whether the development of a specialist's thinking on balance impairs or improves the powers of general thinking compared with what they might otherwise have been. We do not know the kind or degree of truth that may rest in Anatole France's aphorism: "The worst of science is, it stops you thinking." Perhaps this was more subtly expressed in the simpler words of the darkie mother: "If you haven't an education, you've jest got to use yoh brains."

My own experience is that when the attempt to deal

with social consequences is made, we quickly find ourselves either in the field of larger politics debating the merits of the three prevalent forms of state government, or else performing miracles with fancy currencies and their blue prints reminiscent of the chemical engineer.

But there are some essential features of the impact which must be dealt with under any form of society and government and with any machinery for regulating values. They involve man's abilities, his affections, and his tools, all of which have been brusquely treated in the past, and might be scientifically treated in the future. An industrial civilisation is unthinkable without division and, therefore, specialisation, of labour, and without tools and capital instruments. Then life itself is not much worth living without social ties and the allegiances of place and kin. These three indispensable elements of the good life bring out defensive mechanisms for their protection. No one likes to see a man highly trained for a special service or specially fitted by natural aptitudes cut off from opportunity to use his powers and reduced to the level of an unskilled biped. No one likes to see the results of abstinence and specially directed labour which is embodied in a great machine or factory rendered impotent long before it has given its life's usefulness. Waste of skill and of capital are alike grave faults by which we should judge and condemn an industrial organisation. And since man does not live by bread alone, if a ruthless industrial organisation continually tears up the family from its roots, transferring it without choice, to new surroundings, destroying the ties of kin, home and social life, of educational and recreational environments, it is far from ideal. Human labour can never be indefinitely fluid and transferable in a society that has a soul above consumption of mere commodities. These three obstructions to change are not final and rigid limitations upon it. Men die, their skill and home associations with them. Plant and equipment wear out. Their successor presents a natural opportunity in each of the three cases for the introduction of change in position, in aptitude, in purpose or design, without waste or human distress. The length of working life and the durability of materials mark the natural phase or periodicity of a smoothly changing society—its *quanta*, so to speak. But the impetus for change or the irritant has no such intervals. It proceeds from various causes: varying harvests, changes in natural forces; changing human desires and fashions; differences in the rate of growth of population in its different parts; the collective psychological errors of optimism and pessimism in business in an individualistic society; variations in gold supplies and credit policies based thereon. All or any of these, without invoking any disturbances from the impact of scientific discovery, would serve to make adjustments necessary outside the natural phases to which I have referred, in a society with parts that are interdependent through division of labour, and localisation of industry, joined by foreign trade and convenient transport. These alone would bring about a changing world with incomplete adaptations, loss of capital, and so-called frictional unemployment. It is easy to exaggerate the adjustment necessary for the addition of invention and science to these causes of change. But with the intensification of scientific effort, and the greater sub-division of industry, the possible dislocation becomes more frequent and the ways of meeting such change of greater public importance. This field of inquiry includes widely diverse questions, e.g., patent laws, invention clearing, obsolescence accountancy and costing regulation, taxation adjustments, local rating pooling, trade union regulations, price controls, technical

education, age and other discriminations in unemployment relief, transfer bonuses, pension rights, housing facilities, and more selective direction of financial support of intensive scientific research. In this neutral field the specialist scientist and the politician are both amateurs. It is to be covered by each extending his studies, and by specialists who treat impact and change as an area of scientific study.

I do not propose to go over all the ground, so old, so constantly renewed, as to the effect of machinery upon employment. It is known as an historical induction that in the long run it makes more employment than it destroys, in providing work in making the machinery, in reducing price so that far greater quantities of the commodity concerned may be consumed, and in enabling purchasing power to be diverted to increase other productions. It has even facilitated the creation of a larger population, which in turn has provided the new markets to work off the additional potentiality of the machinery. It does all this in "the long run," but man has to live in the short run, and at any given moment there may be such an aggregation of unadjusted "short runs" as to amount to a real social hardship. Moreover, it comes in this generation to a people made self-conscious by statistical data repeated widespread at frequent intervals, and to a people socially much more sensitive to all individual hardship and vicissitude which is brought about by communal advance.

There are two important aspects of the change induced by science which are insufficiently realised, and which make a profound difference to the direction of thought and inquiry. The first I will call the "balance of innovation" and the second the "safety valve" of population.

The changes brought by science in economic life may be broadly classified as the "work creators" and the "work savers." The latter save time, work, and money by enabling the existing supply of particular commodities to be produced more easily, and therefore at lower cost, and finally at lower prices. People can spend as much money as before upon them and get larger quantities or they can continue to buy their existing requirements at a lower cost. In this second event they "save money" and their purchasing power is released for other purposes. By a parallel process, producing or labouring power is released through unemployment. The released working force and released purchasing power can come together again in an *increased* demand for other products which, to this extent, have not been hitherto within effective demand. The supply of this increase may go part or all of the way to absorb the displaced labour. But this process takes time, and the labour displaced is not at once of the right kind nor in the right place. More important, however, is the invention of quite new objects of public demand, which may be desired in addition to the supply of old ones. This brings together released labour and released purchasing power in the most decisive way. The most orderly and least disturbing phases of progress will be found when these two types of innovation are reasonably balanced. Of course, few new objects of purchasing ambition are entirely additive; most of them displace some other existing supplies. Artificial silk displaces some cotton consumption, radio may displace some types of musical instruments. Recently the German production of pianos and guitars has been at a very low percentage of capacity, and part of this has been made good by the demand for radio sets. The dislocations caused by labour-saving machinery can most easily be made good by a due *balance* of new labour creating commodities.

## THE BEST SHOCK ABSORBER.

A natural increase of population is the best shock absorber that the community can possess, especially if accompanied by an extension of territory such as the United States enjoyed in the constant westward movement of the frontier in the nineteenth century, or Britain in the period of overseas emigration. A moment's reflection will show why this is the case. Assume that 1,000,000 units of a commodity are made by 100,000 men, and that there is an increase of population of 2 per cent. per annum, so that in five years 1,100,000 units will be consumed and employ 110,000 men. Now assume the introduction of a new invention which enables 1,100,000 units to be made by 100,000 men. There will be no displacement of existing labour, but only a re-direction of new and potential labour from that industry to other fields. Again, a considerable reduction in demand *per head* can be sustained without dislocation, if the actual aggregate of production demanded is maintained by increasing numbers. The affected industry can remain static and need not become derelict. New entrants to industry will be directed to those points where purchasing power, released through labour-saving devices, is creating new opportunity with new products. New capital is also naturally directed into the new channels, instead of into additions to the old industry.

Now the problem before all western industrial countries is the fact that their populations are shortly becoming stationary (and then will begin to decline noticeably) and this safety valve of increasing population will no longer be available. Every transfer of *per capita* purchasing power to new directions must then be a definite deduction from the old directions, no longer made good by the steady increase in the numbers demanding less per head from those old sources. The impact of science upon a stationary population is likely, *ceteris paribus*, to be much more severely felt than upon a growing population, because the changes of direction cannot be absorbed by the newly-directed workers. Of course, the effects of a static population can be mitigated if the *per capita* income is increasing, because a new direction of demand can be satisfied out of the additional purchasing power without disturbing the original directions of demand provided by the original purchasing power. But the change from a growing to a static or declining population is only one type of difficulty. While the aggregate is altering but slowly, the parts may be changing rapidly. Thus, in this country 40.4 millions in 1937 becomes 40.6 in 1942, 40 in 1947, 39.8 millions in 1952, 38.9 in 1957 and 37.5 in 1962. But the children aged 16—which I take because of its influence on schools, teaching and industrial entry—have been estimated, taking those in 1937 as 100, to be 85 in 1942, 73 in 1952 and 62 in 1962. A fall of this magnitude means that industries and institutions dependent upon the present numbers must not be merely static but actually regressive. On the other hand, the old people from 65 to 74 will increase in this ratio—100, 113, 127, and 133. These problems of static populations at home are accentuated by the possibility of a similar tendency abroad, and need thought in advance. The Australian farmer is more affected by the British conditions of population than by his own.

We have thus the first difficulty, that of a static total demand, the second, that the safety valve of new industrial entrants is becoming smaller, but a third difficulty comes from the present tendency of that class. A stationary elderly population must be very inflexible to change, but a stream of new young life, even if it is to be smaller, would give the opportunity for just that change of direc-

tion, in training and mobility, which society needs. But unfortunately, in practice this does not now seem to be very adaptable. For we learn from certain Unemployment Insurance areas that while the older people will willingly take jobs at wages a few shillings in excess of the unemployment relief, the younger men are more difficult. For every one that will accept training under good conditions to suit them for eligible work, ten may refuse, and the number who will not go any distance to take work at good wages is also in excess of those who do. Attachment to place for older people is understandable, and has been accentuated by housing difficulties—one learns of miners unemployed in a village where the prospects of the pit reopening are negligible, while at the same time, only twenty miles away new miners are being created by attraction from agriculture to more extended workings in their area. The very social machinery which is set up to facilitate change or to soften dislocation, aggravates the evil. The first two difficulties are unalterable. This third difficulty is a subject for scientific examination.

## SCIENCE AND EMPLOYMENT.

So much for the effect of change of any kind upon employment. Now let us narrow this to scientific changes. At any given moment the impact of science is always causing some unemployment, but at that same time the constructive additional employment following upon past expired impacts is being enjoyed. But it is easy to exaggerate the amount of the balance of net technological unemployment. For industrial disequilibrium arises in many ways, having nothing whatever to do with science. Changes of fashion, exhaustion of resources, differential growth in population, changing customs and tariffs, the psychological booms and depressions of trade through monetary and other causes, all disturb equilibrium, and, therefore, contract and expand employment in particular places. Our analytical knowledge of unemployment is bringing home the fact that, like capital accumulation, it is the result of many forces. A recent official report indicated that a quite unexpected amount or percentage of unemployment would be present even in boom times. We know already that there may be a shortage of required labour in a district where there is an 8 or 10 per cent. figure of unemployment. So, in this country there may well be a million unemployed in what we should call good times—it is part of the price we pay for the high standard of life secured by those who retain employment. For a level of real wage may be high enough to prevent every one being employable at that wage—though that is by no means the whole economic story of unemployment. Of this number probably 200,000 would be practically unemployable on any ordinary basis—the "hard core" as it is called—perhaps seven or eight hundred thousand from the perpetual body, changing incessantly as to its unit composition, and consisting of workers undergoing transition from job to job, from place to place, from industry to industry, with seasonal occupations—the elements of "frictional" unemployment through different causes. Out of this number, I should hazard that not more than 250,000 would be unemployed through the particular disturbing element of net scientific innovation. This is the maximum charge that should be laid at the door of science, except in special times, such as after a war, when the ordinary application of new scientific ideas day by day has been delayed, and all the postponed changes tend to come with a rush. At any given moment, of course, the technological unemployment that could be computed from the potentiality of new processes over displaced ones, appears to be much greater. But such

figures are *gross*, and from them must be deducted all recent employment in producing new things or larger production of old things, due to science. If we are presenting science with part of the responsible account of frictional unemployment at any moment, it will be the total technological reduction due to new processes and displacement due to altered directions of demand, less the total new employment created by new objects of demand. This has to be remembered when we are being frightened by the new machine that does with one man what formerly engaged ten. Perhaps birth control for people demands ultimately birth control for their impedimenta.

The rate of introduction of new methods and the consequent impact upon employment may depend upon the size and character of the business unit. If all the producing plants for a particular market are under one control, or under a co-ordinated arrangement, the rate of introduction of a new labour-saving device will be governed by a simple consideration. It can be introduced with each renewal programme for each replacement of an obsolete unit, and therefore without waste of capital through premature obsolescence. But this applies only to small advantages. If the advantages are large, the difference in working costs for a given production between the old and the new types may be so considerable that it will meet not only all charges for the new capital, but also amortize the wasted life of the assets displaced before they are worn out. In neither case then is there any waste of capital, and the absorption of the new idea is orderly in time. But it is quite otherwise if the units are in different ownerships. Excess capacity can quickly result from new ideas. A new ship or hotel or vehicle with the latest attractions of scientific invention, quite marginal in their character, may obtain the bulk of the custom, and render half empty and, therefore, half obsolete, a unit built only a year before. The old unit has to compete by lower prices, and make smaller profits. The newer unit is called upon to bear no burdens in aid of the reduced capital values of the old. It may be that the enhanced profits of the one added to the reduced profits of the other make an average return upon capital not far different from the average that would result in a community where orderly introduction on a renewal basis is the rule. Or perhaps the community gets some of its novelties rather earlier under competitive conditions and pays a higher rate of interest for them as a net cover for the risks of obsolescence. Waste of capital would be at a minimum if the "physical" life before wearing out were as short as the "social" life of the machine. To make a thing so well that it will last "for ever" is nothing to boast about if it will be out of fashion in a few years.

Scientists often look at the problem of practical application as if getting it as rapidly as possible were the only factor to be considered in social advantage, and this difference in the position of monopoly or single management in their ability to "hold up" new ideas is treated as a frustration in itself. Thus it has been said "the danger of obsolescence is a great preventative of fundamental applications to science. Large firms tend to be excessively rigid in the structures of production." Supposing that the obsolescence in question is a real factor of cost, it would fall to be reckoned with in the computation for transition, whatever the form of society, and even if the personal "profit" incentive were inoperative. It cannot be spirited away. A customary or compulsory loading of costs for short life obsolescence would retard uneconomically rapid competition of novelties and could be scientifically explored.

Now let us look at displaced labour and the costs of it.

If the effect of diversion of demand through invention is to reduce the scope or output of particular industries or concerns in private management, they have no option but to reduce staff. If the pressure is not too great, or the change too rapid, this does not necessarily result in dismissals, for the contraction of numbers may be made by not filling up, with young people, the vacancies caused by natural wastage, through death and retirement. But where dismissals are inevitable, re-engagements may take place quickly in the competing industries, otherwise unemployment ensues. Any resulting burden does not fall upon the contracting and unprofitable industry—it has troubles enough of its own already. Nor is it put upon the new and rising industry, which is attracting to itself the transferred profits. In the abstract, it might be deemed proper that before the net gains of such an industry are computed or enjoyed it should bear the burdens of the social dislocation it causes by its intrusion into society. In practice, it would be difficult to assess its liability under this head, and in fact even if it could be determined, new industries have so many pioneer efforts and losses, so many failures, so many superseded beginnings, that it might well be bad social policy to put this burden upon them, for they would be discouraged from starting at all, if they had to face the prospect of such an overhead cost whatever their results. It would, of course, be theoretically possible to put a special levy on those new industries that turned out to be profitable, and to use it to relieve the social charges of dislocation of labour. But much the same argument could be used for the relief of obsolescence of capital. The distinction would, however, be that in the case of the capital it could be urged that the investor should have been wide enough awake to see the possibilities of the rival, whereas the worker, induced to take up employment in such a superseded industry, was a victim, and could not be expected to avoid it by prevision. In any case, the prevailing sentiment is rather to encourage developing industries than to put special burdens upon them, in order that the fruits of science may be effectively enjoyed by society with as little delay as possible.

In the upshot, therefore, the injuries to labour, though not to capital, are regarded as equitably a charge to be borne by society in general through taxation, and to be put upon neither the causing nor the suffering business unit.

And it may well be assumed that taken throughout, the gains of society as a whole from the rapid advance are ample enough to cover a charge for consequential damages. But society is not consciously doing anything to regulate the rate of change to an optimum point in the net balance between gain and damage.

The willingness of society to accept this burden is probably mainly due to the difficulty of fairly placing it, for we find that when it *can* actually be isolated and the community happens fortuitously to have a control, or the workers a power to induce, it will be thrown, not upon the attacking industry, if I may so call it, but upon the defender. Thus in the United States recently, the price of consent to co-ordinating schemes made for the railroads to reduce operating expenses, has been an agreement on this very point. If staff is dismissed, as it was on a large scale in the depression, because of fewer operations and less stock in consequence of reduced carriage through the smaller volume of trade, or through road and sea competition, no attempt is made to put any of the social cost upon the railroads, and the dismissed staff become part of the general unemployed. But if the self-defence of the companies against competition takes the

form of co-operation with each other to reduce operations and stock and, therefore, costs, any resultant dismissals are made a first charge upon them. The agreement is elaborate, and has the effect of preventing any adjustments which an ordinary business might readily make when it throws the burden on society, unless those adjustments yield a margin of advantage large enough to pay for their particular special effects. Thus the rapidity of adjustment to new conditions, not to meet the case of higher profits to be made at the expense of workers, but rather to obviate losses through new competition, is materially affected, and a brake is put upon the mechanism of equilibrium in this industry which does not exist in its rivals, or in any others where the power exists to throw it upon the community. A similar provision exists in the Argentine, and it is imposed by Act of Parliament in Canada, but as one of the concerns is nationally owned, and the current losses fall upon the national budget, its charge is really socially borne in the end. In this country such provisions were part of the amalgamation project of 1923, and of the formation of a single transport authority in London in 1933 and, therefore, did not arise through steps taken to meet new factors of competition. But the opportunity for their imposition came when rights to road powers and rights to pooling arrangements were sought by the railways—both of them adjusting mechanisms to minimise the losses due to the impact of new invention—and this was clearly a specialised case of keeping the burdens off society. In the case of the electricity supply amalgamation of 1933, brought about for positive advantages rather than in defence against competition, similar provision was made, and Parliamentary powers for transfers to gas and water undertakings, also not defensive against innovation, have been accompanied by this obligation. In the case of such uncontrolled businesses as Imperial Chemicals and Shell Mex, rationalising to secure greater profits, rather than fighting rearguard actions to prevent losses, obligations to deal with redundancies had been voluntarily assumed. In such cases the public obloquy of big business operations inimical to society can be a negative inducement, but some freedom from radical competition in prices provides a positive power to assume the burden initially and pass it forward through price to consumers, rather than back against shareholders. The third case, however, of making it a net charge on the improved profits, is quite an adequate outlet. If the principle of putting this particular obstacle in the way of adjustments to meet new competition (as distinct from increasing profits) is socially and ethically correct, it is doubtful whether it is wisely confined to cases where there is quite fortuitously a strategic control by public will.

It will be clear that the difference between the introduction by purely competitive elements involving premature obsolescence and unemployment, and by delayed action, is a cost to society for a greater promptness of accessibility to novelty. The two elements of capital and labour put out of action, would have supplied society with an extra quantity of existing classes of goods, but society prefers to forego that for the privilege of an earlier anticipation of new things. I estimate this price to be of the order of 3 per cent. of the annual national income. But when we speak of social advantage, on balance, outweighing social cost, we dare not be so simple in practice. If the aggregate individual advantage of adopting some novelty is 100x and the social cost in sustaining the consequential unemployed is 90x, it does not follow that it is a justifiable bargain for society. The money cost is based on an economic minimum for

important reasons of social repercussions. But the moral effects of unemployment upon the character and happiness of the individual escape this equation altogether, and are so great that we must pause upon the figures. What shall it profit a civilisation if it gain the whole world of innovation and its victims lose their souls?

#### IMPROVIDENT TARDINESS.

So far I have treated the problem of innovation as one of uneconomic rapidity. But there is another side—that of improvident tardiness. Enormous potentialities are seen by scientists waiting for adoption for human benefit, under a form of society quicker to realise their advantage, readier to raise the capital required, readier to pay any price for dislocation and to adjust the framework of society accordingly. A formidable list of these potentialities can be prepared, and there is little doubt that with a mentality adjusted for change, society could advance much more rapidly. But there is a real distinction between the methods of adopting whatever it is decided to adopt, and the larger question of a more thoroughgoing adoption. In proportion as we can improve the impact of the present amount of innovation, we can face the problem of a larger amount or faster rate. Unless most scientific discoveries happen to come within the scope of the profit motive, and it is worth someone's while to supply them to the community, or unless the community can be made sufficiently scientifically minded to include this particular demand among their general commercial demands, or in substitution for others, nothing happens—the potential never becomes actual. It has been computed that a benevolent dictator could at a relatively small expense, by applying our modern knowledge of diet, add some two inches to the average stature and seven or eight pounds to the average weight of the general population, besides enormously increasing their resistance to disease. But dictators have disadvantages, and most people prefer to govern their own lives indifferently, rather than to be ideal mammals under orders. To raise their own standard of scientific appreciation of facts is the better course, if it is not utopian. It has been clear for long enough that a diversion of part of the average family budget expenditure from alcohol to milk would be of great advantage. But it has not happened. If the individual realised the fact, it certainly might happen. It is ironically remarked that the giving of free milk to necessitous children, with all the net social gain that it may bring about, has not been a considered social action for its own sake, but only the by-product emergency of commercial pressure—not done at the instance of the Ministry of Health or the Board of Education, but to please the Milk Marketing Board by reducing the surplus stocks of milk in the interests of the producer!

Scientists see very clearly how, if politicians were more intelligent, if business men were more disinterested and had more social responsibility, if governments were more fearless, far-sighted, and flexible, our knowledge could be more fully and quickly used to the great advantage of the standard of life and health—the long lag could be avoided, and we should work for social ends. It means, says Mr. Julian Huxley, "the replacement of the present socially irresponsible financial control by socially responsible planning bodies." Also, it obviously involves very considerable alterations in the structure and objectives of society, and in the occupations and pre-occupations of its individuals. Now a careful study of the literature of planning shows that it deals mainly with planning the known, and hardly at all with planning for changes in the known. Although it contemplates "planned" research, it does not generally provide for

introducing the results of new research into the plan, and for dealing with the actual *impact*—the unemployment, redirection of skill, and location, and the breaking of sentimental ties that distinguish men from robots. It seems to have not many more expedients for this human problem that our quasi-individualist society with its alleged irresponsibility. It also tends to assume that we can tell in advance what will succeed in public demand and what will be superseded. There is nothing more difficult, and the attempt to judge correctly under the intellectual stimulus of high profits and risk of great losses is at least as likely to succeed as the less personally vital decision on a committee. Would a planning committee, for example, planning a new hotel in 1904, have known any better than capitalist prevision that the fifteen bathrooms then considered adequate for social demand, ought really to have been ten times that number if the hotel was not to be considered obsolete thirty years later? Prevision thought of in terms of hindsight is easy, and few scientists have enjoyed the responsibility of making practical decisions as to what the public will want far ahead. They, therefore, tend to think of prevision in terms of knowledge and appreciation of particular scientific possibilities, whereas it involves unknown demand schedules, the unceasing baffling principle of substitution, the inertia of institutions, the crusts of tradition and the queer incalculability of mass mind. Of course, in a world where people go where they are told, when they are told, do what they are instructed to do, accept the reward they are allotted, consume what is provided for them, and what is manifestly so scientifically "good for them," these difficulties need not arise. The human problem will then be the "Impact of Planning." I am not here examining the economics of planning as such, but only indicating that it does not provide automatically the secret of correct prevision in scientific innovation. When correct prevision is possible a committee can aim at planning with a minimum disturbance and wastage (and has the advantage over individuals acting competitively), but for such innovation as proves to be necessary it does not obviate the human disturbance or radically change its character. The parts of human life are co-ordinated and some are more capable of quick alteration than others, while all are mutually involved. One may consider the analogy of a railway system which has evolved, partly empirically and partly consciously, as a co-ordinated whole. Suddenly the customary speed is radically changed, and then it may be that all the factors are inappropriate—distance between signals, braking power, radius of curves, camber or super-elevation, angles of crossings, bridge stresses. The harmony has been destroyed. Especially may this be the case if the new factor applies to some units only, and not to all, when the potential density of traffic may be actually lessened. The analogy for the social system is obvious, and its form of government matters little for the presence of the problem, though it may be important in the handling of it.

I have spoken as though the normal span of life of men and machinery themselves provides a phase to which scientific advance might be adjusted for a completely smooth social advance. But this would be to ignore customs and institutions, even as we see in Federal America, Australia and Canada, constitutions which lengthen that phase and make it less amenable as a natural transition. At one time we relied on these to bring about the economic adjustment necessary. But technical changes take place so rapidly that such forces work far too slowly to make the required adaptation. Habits and customs are too resistant to change in most national societies to bring about radical institutional changes with rapidity,

and we patch with new institutions and rules to alleviate the effects rather than remove the causes of maladjustments. The twenty mile speed limit long outstayed its fitness, and old building restrictions remained to hamper progress. Edison is reported to have said that it takes twenty-five years to get an idea into the American mind. The Webbs have given me a model period of nineteen years from the time when an idea comes up as a practical proposition from a "dangerous" left wing to the date when it is effectively enacted by the moderate or "safe" progressive party. This period of political gestation may be a function of human psychology or of social structure. We do not know how ideas from a point of entry, permeate, infiltrate or saturate society, following the analogues of conduction, convection, or lines of magnetic force.

Our attitude of mind is still to regard change as the exceptional, and rest as the normal. This comes from centuries of tradition and experience, which have given us a tradition that each generation will substantially live amid the conditions governing the lives of its fathers, and transmit those conditions to the succeeding generation. As Whitehead says: "We are living in the first period of human history for which this assumption is false." As the time span of important change was considerably longer than that of a single human life, we enjoyed the illusion of fixed conditions. Now the time span is much shorter, and we must learn to experience change ourselves.

#### MODIFICATION OF MAN'S NATURE TO MEET IMPACT.

I have so far discussed modification of impact to meet the nature of man. Now we must consider modifying the nature of man to meet impact.

Sociologists refer to our "cultural lags" when some of the phases of our social life change more quickly than others and thus get out of gear and cause maladjustments. Not sufficient harm is done to strike the imagination when the change is a slow one, and all the contexts of law, ethics, economic relations and educational ideals tend towards harmony and co-ordination. We can even tolerate by our conventions, gaps between them when preachers and publicists can derive certain amusement and profit from pointing out our inconsistencies. But when things are moving very rapidly, these lags become important; the concepts of theology and ethics, the tradition of the law, all tend to lag seriously behind changes brought about through science, technical affairs and general economic life. Some hold that part of our present derangement is due to the lack of harmony between these different phases—the law and governmental forms constitutionally clearly lag behind even economic developments as impelled by scientific discovery. An acute American observer has said that "the causes of the greatest economic evils of to-day are to be found in the recent great multiplication of interferences by Government with the functioning of the markets, under the influence of antiquated doctrines growing out of conditions of far more primitive economic life." It would be, perhaps, truer to say that we are becoming "stability conscious" and setting greater store, on humanitarian grounds, by the evil effects of instability.

In the United States it would be difficult to find, except theoretically in the President, any actual person, or instrument in the Constitution, having any responsibility for looking at the picture of the country as a whole, and there is certainly none for making a co-ordinated plan. Indeed, in democracy, it is difficult to conceive it, because the man in public life is under continual pressure of particular groups, and so long as he has his electoral position to consider, he cannot put the general picture of

progress in the forefront. Whitehead declared that when an adequate routine, the aim of every social system, is established, intelligence vanishes and the system is maintained by a co-ordination of conditioned reflexes. Specialised training alone is necessary. No one, from President to miner, need understand the system as a whole.

The price of pace is peace. Man must move by stages in which he enjoys for a space a settled idea, and thus there must always be something which is rather delayed in its introduction, and the source of sectional scientific scorn. If every day is "moving" day, man must live in a constant muddle, and create that very fidget and unrest of mind which is the negation of happiness. Always "jam to-morrow"—the to-morrow that "never comes." If we must have quanta or stages, the question is their optimum length and character, not merely the regulation of industry and innovation to their tempo, but the education of man and society to pulse in the same rhythmic wavelength or its harmonic.

In some ways we are so obsessed with the delight and advantage of discovery of new things that we have no proportionate regard for the problems of arrangement and absorption of the things discovered. We are like a contractor who has too many men bringing materials on to the site, and not enough men to erect the buildings with them. In other words, if a wise central direction were properly allocating research workers to the greatest marginal advantage, it would make some important transfers. There is not too much being devoted to research in physics and chemistry, as modifying industry, but there is too much relatively to the research upon the things they affect, in physiology, psychology, economics, sociology. We have not begun to secure an optimum balance. Additional financial resources should be applied more to the biological and human sciences than to the applied physical sciences, or possibly, if resources are limited, a transfer ought to be made from one to the other.

Apart from the superior tone sometimes adopted by "pure science" towards its own applications, scientific snobbery extends to poor relations. Many of the hard-boiled experimental scientists in the older and so productive fields, look askance at the newer borderline sciences of genetics, eugenics and human heredity, psychology, education, and sociology, the terrain of so much serious work but also the happy hunting ground of "viewey" cranks and faddists. Here the academic soloist is still essential, and he has no great context of concerted work into which to fit his own. But unless progress is made in these fields which is comparable with the golden ages of discovery in physics and chemistry, we are producing progressively more problems for society than we are solving. A committee of population experts has recently found that the expenditure on the natural sciences is some eight to ten times greater than that on social sciences. There is hardly any money at all available for their programme of research into the immense and vital problems of population in all its qualitative and quantitative bearings. An attack all along the front from politics and education to genetics and human heredity is long overdue. Leisure itself is an almost unexplored field scientifically. For we cannot depend wholly on a hit and miss process of personal adaptation, great though this may be. There must be optimal lines of change which are scientifically determinable. We have seen in a few years that the human or social temperament has a much wider range of tolerance than we had supposed. We can take several popular examples. The reaction to altered speed is prominent. In the *Creevey Papers*, it is

recorded that the Knowsley party accomplished 23 miles per hour on the railway, and recorded it as "frightful—impossible to divest yourself of the notion of instant death—it gave me a headache which has not left me yet—some damnable thing must come of it. I am glad to have seen this miracle, but quite satisfied with my first achievement being my last." In the British Association meeting for 1836, an address on Railway Speeds prophesied that some day 50 miles an hour might be possible. Forty years ago we may remember that a cyclist doing 15 to 18 miles an hour was a "scorcher" and a public danger. Twenty-five years ago, 30 miles an hour in motoring was an almost unhealthy and hardly bearable pace. To-day the fifties and sixties are easily borne, both by passenger and looker on. Aeroplane speeds are differently judged, but at any rate represent an extension of the tolerance. Direct taxation thirty years ago in relation to its effect on individual effort and action seemed to reach a breaking-point and was regarded as psychologically unbearable at levels which to-day are merely amusing. The copious protection of women's dress then would have looked upon to-day's rationality as suicidal lunacy. One hesitates to say, therefore, that resistances to scientific changes will be primarily in the difficulty of mental and physical adjustments. But there can be little doubt that with the right applications of experimental psychology and adjusted education, the mind of man would be still more adaptable. Unfortunately, we do not know whether education as an acquired characteristic is in any degree inheritable, and whether increasing educability of the mass is a mere dream, so that we are committed to a sisyphean task in each generation. Nor do we know whether this aspect is affected by the induced sterility of the age. It may not be a problem of changing the same man in his lifetime, but of making a larger difference between father and son. The latest teachings of geneticists hold out prospects for the future of man which we should like to find within our present grasp, and recent successful experiments with mammals in parthenogenesis and eutelegensis bear some inscrutable expression which may be either the assurance of new hope for mankind or a devil's grin of decadence.

The body of doctrine which was a satisfactory analysis of society twenty-five years ago is no longer adequate, for its basic postulates are being rapidly changed. It confined itself then to the actual world it knew and did not elaborate theoretical systems on different bases which might never exist. It is, therefore, now engaged in profoundly modifying the old structures to meet these new conditions. Formerly it assumed, quite properly, a considerable degree of fluid or competitive adjustment in the response of factors of production to the stimulus or operation of price, which was really a theory of value-equilibrium. Wherever equilibrium was disturbed, the disturbance released forces tending to restore it. To-day many of the factors formerly free are relatively fixed, such as wage levels, prices, market quotas, and when an external impact at some point strikes the organism, instead of the effect being absorbed throughout the system by adjustments of all the parts, it now finds the shock evaded or transmitted by many of them, leaving the effects to be felt most severely at the few remaining points of free movement or accommodation. Unemployment is one of these. The extent to which this fact throws a breaking strain upon those remaining free points is not completely analysed, and the new economics of imperfect competition is not fully written out or absorbed. The delicate mechanism of price adjustment with the so-called law of supply and demand governed the whole movement, but with forcible fixation of certain

price elements consequences arise in unexpected and remote quarters. Moreover, the search for a communally planned system to secure freedom from maladjustments involves a new economics in which the central test of price must be superseded by a statistical mechanism and a calculus of costs which has not yet been satisfactorily worked out for a community retaining *some* freedom of individual action and choice. The old international currency equilibrated world forces and worked its way into internal conditions in order to do so. But the modern attempt to prevent any internal effect of changes in international trade, or to counteract them, and the choice of internal price stability at all costs against variable international economic equations, has set economic science a new structure to build out of old materials. At this moment when elasticity is most wanted, stability leading to rigidity becomes a fetish. The aftermath of war is the impossibility of organising society for peace.

#### GENERAL OBSERVATIONS.

The impact of economic science upon society to-day is intense and confusing, because, addressing itself to the logic of various sets of conditions as the likely or necessary ones according to its exponents' predilections, it speaks with several voices, and the public are bewildered. Unlike their claims upon physics and mathematics, since it is dealing with money, wages, and employment, the things of everyday, they have a natural feeling that it ought to be easily understandable and its truth recognisable. Balfour once said, in reference to Kant, "Most people prefer a problem which they cannot explain, to an explanation which they cannot understand." But in the past twenty years, the business world and the public have become economics-conscious, and dabble daily in index numbers of all kinds, and the paraphernalia of foreign exchange and statistics of economic life. The relativity of economic principle to national psychology baffles the economists themselves, for it can be said truly at one and the same time, for example, that confidence will be best secured by balancing the Budget, and by not balancing it, according to public mentality. The economics of a community not economically self-conscious are quite different from those of a people who watch every sign and act accordingly. Thus the common notion that economics should be judged by its ability to forecast (especially to a particular date) is quite fallacious, for the prophecy, if "true" and believed, must destroy itself, inasmuch as the economic conduct involved in the forecast is different after the forecast from what it would have been before. The paradox is just here, for example: if a people are told that the peak of prices in a commodity will actually be on June 10, they will all so act that they anticipate the date and destroy it. Economics, thoroughly comprehended, can well foretell the effects of a tendency, but hardly ever the precise date or amount of critical events in those effects. The necessity for a concentration upon new theoretical and analytical analysis, and upon realistic research, is very great. But so also is the need for widespread and popular teaching. For a single chemist or engineer may by his discovery affect the lives of millions who enter into it but do not understand it, whereas a conception in economic life, however brilliant, generally requires the conformity of the understanding and wills of a great number before it can be effective.

But not alone economics: if the impact of science brings certain evils they can only be cured by more

science. Ordered knowledge and principles are wanted at every point. Let us glance at three only, in widely different fields: man's work, man's health, man's moral responsibility. The initial impact of new science is in the factory itself. The kind of remedy required here is covered by the work of the National Institute of Industrial Psychology. Some of this improves upon past conditions, some creates the conditions of greater production, but much of it combats the evils arising from new conditions created by modern demands, speed, accuracy and intensity. It invokes the aid of many branches of science. It is the very first point of impact. Yet its finance is left to personal advocacy, and commands not 10 per cent. of the expenditure on research in artificial silk, without which the world was reasonably happy for some centuries. We can judge of the scope of this by the reports of the Industrial Health Research Board. Again, the scientific ancillaries of medicine have made immense strides. Clinical medicine as an art makes tardy, unscientific and halting use of them. The public remain as credulous as ever, their range of gullibility widened with every pseudo-scientific approach. (We do not know what proportion of positive cases can create the illusion of a significant majority in mass psychology, but I suspect that it is often as low as 20 per cent.). For a considerable range of troubles inadequately represented in hospitals, the real experience passes through the hands of thousands of practitioners, each with too small a sample to be statistically significant, and is, therefore, wasted from a scientific standpoint. Half-verified theories run riot as medical fashions, to peter out gradually in disillusionment. If the scattered cases were all centralised through appropriately drawn case-histories, framed by a more scientifically trained profession, individual idiosyncrasy would cancel out, and mass scrutiny would bring the theories to a critical statistical issue of verification or refutation in a few months. This would be to the advantage of all society, and achieve an even greater boon in suggesting new points for central research.

A suggestion has been made for an inventions clearing house, to "co-operate the scientific, social and industrial phases of Invention, and to reduce the lag between invention and application" managed by a committee of scientists and a committee of industrialists and bankers. The proposal came to me from New York, but London was to be the home of the organisation, which was to adopt a code of ethics in the interests of inventors, industry and *social progress*. This brings me to my third example, the field of ethics, which needs the toil of new thought. The systems of to-day, evolving over two thousand years, are rooted in individualism and the relations between individuals. But the relations of society to-day are not predominantly individual, for it is permeated through and through with corporate relations of every kind. Each of these works over some delegated area of the individual's choice of action, and evolves a separate code for the appropriate relationship. The assumption that ethical questions are decided by processes which engage the individual's whole ethical personality is no longer even remotely true. The joint stock company may do something, or refrain from doing something, on behalf of its shareholders, which is a limited field of ethics, and may but faintly resemble what they would individually do with all other considerations added to their financial interests. The whole body of ethics needs to be reworked in the light of modern corporate relations, from Church and company, to cadet corps and the League of Nations.

In no case need we glorify change : but true rest may be only ideally controlled motion. The modern poet says :

" The endless cycle of idea and action,  
Endless invention, endless experiment,  
Brings knowledge of motion, but not of stillness."

But so long as we are to have change—and it seems inevitable—let us master it. T. S. Eliot goes on :

" Where is the wisdom we have lost in knowledge ?  
Where is the knowledge we have lost in information ? "

My predecessors have spoken of the shortcomings of the active world—to me they are but the fallings short of science. Wherever we look we discover that if we are to avoid trouble we must take trouble—scientific trouble. The duality which puts science and man's other activity in contrasted categories with disharmony to be resolved, gaps to be bridged, is unreal. We are simply beholding ever-extending science too rough round the edges as it grows.

What we have learnt concerning the proper impact of science upon society in the past century is trifling, compared with what we have yet to discover and apply. We have spent much and long upon the science of matter, and the greater our success the greater must be our failure, unless we turn also at long last to an equal advance in the science of man.

## Reviews.

**Private Companies, Their Utility and the Exemptions They Enjoy.** 17th Edition. By Herbert W. Jordan. London : Jordan & Sons, Ltd., 116, Chancery Lane, W.C. (66 pp. Price 2s. net.)

This little book is mainly of interest to the business man. It gives in summary form a good general idea of the utility and advantages of private companies, explaining the procedure after incorporation and specifying the documents required to be filed. Separate chapters are devoted to the restrictions imposed upon private companies and the exemptions to which they are entitled. The book concludes with a table of the duties and fees payable on incorporation.

**Income Tax Simplified.** 13th Edition. By Arthur Fieldhouse and E. Ewart Fieldhouse, M.A., LL.B., Solicitor. London : Simpkin Marshall, Ltd., Stationers' Hall Court, E.C.4. (74 pp. Price 1s. 6d. net.)

A large amount of information is condensed into small space in this booklet, but those who have had most to do with income tax know the difficulties of condensation. There are so many qualifications to be observed that simplification is rendered exceedingly difficult. The author concludes with some particulars regarding Land Tax and death duties. In regard to Legacy Duty we observe the statement that "the 1 per cent. duty on a legacy of a lineal descendant or ancestor is not payable where estate duty is paid." We think it will be found that this statement requires a good deal of qualification.

**Machinery, Procedure and Remedies under the Indian Income Tax Act, 1922.** By R. K. Dalal, B.Com., F.S.A.A., Bombay. Published by the author at 49, Apollo Street, Fort, Bombay. (88 pp.)

Those interested in Indian Income Tax law will find much useful information in this book. Part I deals with the machinery that has been set up for the administration

of the Act, Part II with the procedure relating to the collection of information, the making of assessments, obtaining recoveries, &c., and Part III gives explanations regarding appeals before the Commissioner, the Board of Referees, the High Court and the Privy Council. Full information as to procedure in appeal cases is an important feature of the book.

**Income Tax Law and Practice.** 9th Edition. By Cecil A. Newport and Ronald Staples. London : Sweet & Maxwell, Ltd., 2-3, Chancery Lane, W.C.2. (362 pp. Price 10s. 6d. net.)

This is one of the most useful reference books on the subject of Income Tax. The authors deal with many difficult and obscure points, giving the effect of the law in clear language, and the text of the book is freely interspersed with examples which add greatly to its value.

**Formation, Management and Winding Up of Joint Stock Companies.** 39th Edition. By Judge Haydon, M.A., K.C., and Stanley Borrie. London : Jordan & Sons, Ltd., 116, Chancery Lane, W.C.2. (916 pp. Price 20s. net.)

We are pleased to see an up-to-date edition of this work, which is probably better known by its earlier title, Jordan and Gore-Browne's Handbook. The book contains clear and precise information upon almost every point relating to Joint Stock Companies from the time of their formation to the conclusion of their winding-up. It is also provided with an excellent index to which much care has obviously been devoted. The appendix contains the regulations of the London Stock Exchange for obtaining permission to deal in new issues, particulars of stamp duties and fees and a copy of Table A to the 1929 Act.

**Le Prix de Revent.** By René Delaporte. Paris : Société Française d'Éditions Littéraires et Techniques, 12, Rue Hauteville. (217 pp. Price 25 francs.)

This is a French treatise on cost accounts. The author urges the importance to manufacturers of a proper system of cost accounts, citing instances of large economies which costing records have shown to be possible, and then discusses the treatment of materials, labour, depreciation, interest on capital, waste and by-products. The last chapter deals briefly with the special problems of a foundry and a spinning mill.

## DEPRECIATION RATES AND INCOME TAX.

The Board of Inland Revenue intimate that the following alteration has been made in the list of agreed rates of depreciation for Income Tax purposes since their letter of February 8th, 1936 :—

### ELECTRICITY UNDERTAKINGS' METERS.

The Board have agreed with the Incorporated Association of Electric Power Companies and the Provincial Electric Supply Association that, subject to the approval of the Commissioners concerned, allowances may be granted to members of the above Associations for wear and tear of electricity meters on the following basis :—

- (1) The rate to be applied is 7½ per cent.
- (2) The above-mentioned rate is to be applied for the ten Income Tax years, 1934-35 to 1943-44, and for years earlier than 1934-35 where assessments are standing over by agreement.

## The Law Relating to Accounts in Insolvencies.

A LECTURE delivered to the Incorporated Accountants' Students' Society of London and District by

Mr. GORDON E. RADFORD,  
INCORPORATED ACCOUNTANT.

The chair was occupied by Mr. D. MAHONY, Incorporated Accountant.

The CHAIRMAN : We all remember, I think with pleasure, Mr. Radford lecturing to us a year and a half ago on Voluntary Liquidations and to-night he has come up specially from Southampton to give us this lecture. I think it is one that will serve a very useful purpose. There is probably no better example of the evil of one profession interfering with another than is shown by the regulations governing accounts in insolvency work. I believe that all the regulations regarding the cash books and the form of the cash books were designed by lawyers. I have nothing to say against lawyers in the ordinary way, but if we could find some means by which one common set of accounts could be worked out that would be suitable for the procedure of all kinds of insolvencies, I think it would be of very great benefit both to students and to practitioners. Mr. Radford's lecture to-night is designed on these lines. Let us hope that in the course of a few years it may be possible to get the whole of the insolvency procedure consolidated and made much more simple.

Mr. RADFORD said : I am restricting the scope of this paper to a consideration of the law relating to the Accounts of Trustees and Liquidators in four kinds of Insolvencies only—Bankruptcies, Compulsory Liquidations, Deeds of Assignment and Creditors' Voluntary Liquidations.

The objects I have had in mind in preparing this paper are mainly two—first, to instruct those Students who have little or no knowledge of the subject ; and, second, to invite those who do in fact possess practical or theoretical knowledge to join in due course in a discussion of the various issues to which I shall refer.

The paper is divided into two parts, as follows :—

Part (1)—in which the more important of the Statutory provisions with regard to accounts are briefly stated.

Part (2)—in which these provisions are compared, where comparison is possible, and the variations are commented upon ; and in which I have taken the opportunity, occasionally, of expressing my personal opinion.

Before proceeding to the first part I want to suggest that it may probably assist you in following the lecture to refer from time to time to the summary which Mr. Fay has kindly had distributed. It is, of course, difficult enough at the best of times to display enthusiasm over a subject such as "Insolvency" ; and I am rather afraid that you will find the dry facts which it is necessary for me to lay before you, especially in Part (1), difficult to follow without some sort of plan to refer to.

### PART 1.

#### (a) Bankruptcy.

(The references hereunder are to the Bankruptcy Act, 1914, and the Bankruptcy Rules, 1915.)

A trustee in bankruptcy must keep proper books and accounts. In particular he must keep a cash book, in a prescribed form, in which he must enter his receipts and payments, other than trading receipts and payments,

from day to day (sect. 86, rule 361). If he carries on trading he must keep a distinct trading account, also in a prescribed form, and carry only the weekly totals from this account to the cash book (rule 337). He must also keep a record book for minutes of meetings, and so on (rule 360). The trustee invariably finds in practice that in addition to the books specifically defined he must keep certain other books, such as a debt register, a rent roll, and a register of claims, &c., according to circumstances.

The trustee must submit the cash book and record book together with vouchers and any other necessary books, to the Committee of Inspection, as and when the committee require, but not less than once every three months (rule 362), and the committee must thereupon audit the cash book and sign a prescribed audit certificate (rule 362). If he carries on trading, the trustee must verify his trading account by affidavit at least once a month, and submit it to the committee or its nominee for examination and certification (rule 337).

At the expiration of six months from the date of the receiving order and of every six months thereafter until he obtains his release, the trustee must prepare a copy of his cash book in duplicate for the preceding six months (one copy being abridged), each copy bearing copies of the audit certificates of the Committee of Inspection, and transmit them to the Board of Trade. One copy, the one that is not abridged, must first be verified by the trustee by affidavit (sect. 92, rule 264). The trustee must also send the relevant trading accounts (if any), all vouchers, the record book, a report in a prescribed form on the position of the estate, and a summary of his receipts and payments for the preceding six months. There are various other things he must send at times of audit, but I do not regard them as relevant to our present purpose.

Apart altogether from this audit, the Board of Trade may, if complaint is made against the trustee by a creditor, inquire into the matter, and, if it thinks desirable, direct a local investigation to be made (sect. 81).

When the Board of Trade have completed their six-monthly audit they certify both copies of the cash book, one copy of which they file at the Board of Trade, and the other they send to the Registrar at the Bankruptcy Court for filing (rule 365).

Any creditor, personally or by his agent, may inspect the trustee's books (subject to such control as the Court may see fit to impose) (sect. 86) ; and any creditor who has proved his debt may require the trustee to furnish him with a copy of the cash book, or an extract therefrom, upon payment at the rate of 3d. per folio (rule 345). In addition, any creditor, or the debtor, or any person interested, may inspect the six-monthly copies of the trustee's cash book, duly certified by the Board of Trade, filed at the Board of Trade or the Court (sect. 92).

There are no provisions in bankruptcy for periodic meetings to receive accounts and reports. When the trustee declares a dividend, however, he must send by post to every creditor whose proof has been admitted a statement showing the position of the estate at the date of the dividend, the statement being mainly a cumulative summary of receipts and payments from date of the receiving order (rule 268). He must also send a similar statement covering the entire period of the winding-up, when he gives notice to the creditors of his intention to apply for his release (rule 338). A copy of the final summary must also be sent to the Board of Trade when the trustee makes his application for his release (form 195). Apart from these accounts which are sent out automatically by the trustee at the specified times, there is a provision whereby any creditor, with the concurrence of

one-sixth of the creditors, including himself, may call upon the trustee to furnish a statement of the accounts up to date, to all the creditors, and the cost thereof is to be borne by the estate if the creditors or Court agree (sect. 85).

(b) *Compulsory Winding-up.*

(The references hereunder are to the Companies Act, 1929, and the Companies (Winding-up) Rules, 1929.)

The provisions with regard to the books and accounts of a liquidator in compulsory winding-up are practically identical with those relating to the books and accounts of a trustee in bankruptcy (sect. 193, rule 170).

The verification and audit provisions are also practically the same. The liquidator must submit his cash book, &c., to the committee for audit not less than once every three months (rule 172); and if he carries on trading, then he must verify his trading account by affidavit at least once a month, and submit it to the committee or its nominee for certification (rule 174). He must also, in the same way as a trustee in bankruptcy send his accounts, &c., to the Board of Trade, for audit, every six months from the date of the winding-up order (sect. 195, rule 173). There is also the provision that if complaint is made by a creditor or contributory to the Board of Trade, against the liquidator, the Board may inquire into the matter, and if they think it desirable direct a local investigation to be made (sect. 196).

One very important difference from bankruptcy procedure, however, arises in connection with the documents which the liquidator must send to the Board of Trade at times of audit, and this difference renders several of the rules applicable to the books and accounts of trustees in bankruptcy unnecessary in compulsory winding-up. The difference is this: the liquidator must send with his accounts for audit (in the same way as must a trustee in bankruptcy) a summary of his receipts and payments for the preceding six months; but in compulsory liquidation, when this summary is approved by the Board of Trade, it is returned to the liquidator, who must then print sufficient copies thereof to enable one to be sent to each creditor and contributory. The liquidator must then prepare a 4d. stamped and addressed envelope for each creditor and contributory, and put a copy of the summary in each, and then send the whole lot to the Board of Trade, who will post them in due course (sect. 195, rule 176).

When the Board of Trade have audited the liquidator's six-monthly accounts they certify both copies of the cash book, and, in the same way as they do with the accounts of a trustee in bankruptcy, file one copy at the Board of Trade, and the other they send to the Registrar for filing (rule 175).

The liquidator's books may be inspected by any creditor or contributory personally or by his agent, subject to such control as the Court may see fit to impose, as is the case in bankruptcy (sect. 193). The bankruptcy provision for bespeaking copies of the cash book at 3d. per folio is not repeated, however, in the compulsory winding-up rules. As in bankruptcy, however, any creditor or other person interested may inspect the six-monthly copies of the liquidator's cash book filed at the Board of Trade or the Court (sect. 195).

There are no provisions in compulsory winding-up for periodic meetings to receive accounts and reports. As I have mentioned, however, the creditors and contributories receive, every six months, a summarised statement of the liquidator's receipts and payments for the preceding six months (unless the Board of Trade decide that the position since the previous summary was sent out has not sufficiently changed to warrant another going out). The liquidator is not required, as is a bankruptcy trustee,

to send out a summary of his receipts and payments when he declares a dividend, but when he gives notice to the creditors and contributories of his intention to apply for his release, he must, as in bankruptcy, send a summary covering the entire period of the winding-up (rule 202). He must also send a copy of this summary to the Board of Trade when he actually applies for his release (form 99).

(c) *Deeds of Assignment.*

(The references hereunder are to the Deeds of Arrangement Act, 1914, and the Deeds of Arrangement Rules, 1925.)

There are no special books required by law to be kept by trustees under Deeds of Assignment. The trustee takes his authority in this matter from the deed, which invariably expressly or impliedly leaves him free to decide what books he should keep. Broadly speaking, however, the books he keeps are similar to those kept by a trustee in bankruptcy, although he usually prefers to keep them in a somewhat simpler form.

There are no statutory provisions for the periodic audit of the trustee's accounts, either by the committee (if there is one) or the Board of Trade; and it is most unusual to find a deed requiring a trustee to have his accounts audited. The trustee is merely required to transmit to the Board of Trade at prescribed intervals an account of his receipts and payments in a prescribed form duly verified by affidavit (sect. 13). If the trustee has carried on trading, a trading account must be forwarded as a distinct account, and only the totals thereof carried to the general account (rule 33). The trading account, as such, does not have to be verified by affidavit.

Although, as I have said, the accounts sent periodically to the Board of Trade are not audited, the Board have the right to ask the trustee to explain or amend the account if they decide it is not clear (rule 33). The Board of Trade may, in addition, cause the trustee's accounts to be audited if at any time during the administration of the estate or within twelve months after the final account has been lodged a majority in number and value of the assenting creditors make application in writing for an official audit (sect. 15).

The trustee must lodge with the Board of Trade for filing, once a year, an account of his receipts and payments for the preceding year. The first account must be made up to a date twelve months after the registration of the deed, and subsequent accounts covering the period from the last account. A final account must be filed directly the trusts of the deed have been fulfilled (rule 31).

There are no statutory provisions for the inspection of the trustee's books. Any creditor, however, or the debtor, or any person interested, may, upon payment of 1s., inspect the copies of the trustee's accounts filed at the Board of Trade, and may obtain copies thereof upon payment of the fee the Board of Trade may fix (sect. 13).

There are no statutory provisions for periodic meetings to receive accounts and reports. But at the expiration of six months from the date of the registration of the deed and at the expiration of every six months thereafter until the winding-up is complete, the trustee must send out to each assenting creditor a statement of his receipts and payments made up to the date of the statement, and must supplement the account with a report on the position of the winding-up (sect. 14 and form 13).

(d) *Creditors' Voluntary Winding-up.*

(The references hereunder are to the Companies Act, 1929, and to the Companies (Winding-up) Rules, 1929.)

A liquidator in a creditors' voluntary winding-up is required to keep such books as the committee of inspection or, if there is no committee, then as the creditors direct (rule 170), but amongst them must be a book for minutes of general meetings of creditors (rule 143).

There are no provisions for the periodic audit of the liquidator's accounts either by the committee or the Board of Trade. The committee, however, have the right to require the liquidator to submit his books and accounts, &c., to them, as they wish ; and if there is no committee, then this right belongs to the creditors (rule 170). In the event of the winding-up not being concluded within a year, the liquidator must forward to the Registrar of Companies, at prescribed intervals, a statement of his receipts and payments, and of certain other information, in duplicate (sect. 284), and one copy must be verified by affidavit (rule 194). If the liquidator has carried on trading he must forward a trading account, in duplicate, as a distinct account, and only the totals from this account must be carried to the general account (form 92). It is important to note that if the winding-up is concluded within a year then neither general accounts nor trading accounts need be filed (sect. 284).

Although, as I have said, there are no provisions for periodic audit, the Board of Trade have power to order the liquidator to submit an account of his receipts and payments, and enforce an audit (rule 198).

The statements of receipts and payments, &c., must be lodged at the end of the first year, and at the end of each succeeding six months, with the Registrar of Companies (rule 194) ; and apart from these detailed accounts a summary covering the whole period of the winding-up must be lodged when the winding-up is complete (sect. 245), whether the winding-up has lasted more than a year or less.

There are no statutory provisions for the inspection of the liquidator's books. Any creditor or contributory, however, so stating himself in writing, may, personally or by his agent, inspect the accounts, &c., filed by the liquidator with the Registrar of Companies, upon payment of a fee of 1s., and may obtain copies or extracts on payment of a fee of 4d. per folio. It is also provided that if any person untruthfully describes himself as a creditor or contributory in order to inspect these accounts he shall be guilty of a contempt of Court (sect. 284).

*There are no provisions for sending out accounts to creditors or contributories by post, either periodically or with dividends.* But if the winding-up continues for more than a year the liquidator must summon meetings of creditors and contributories as soon after the end of the year as is convenient for the purpose of laying before such meetings an account and a report for the preceding year. He must call similar meetings after the end of each succeeding year (sect. 244). He must give notice of the creditors' meetings not only by advertisement in the *Gazette* and a local paper, but also by individual notice through the post (rule 127). If the winding-up is completed before the end of the first year, then, of course, there are no such meetings. But in every case, when the winding-up is complete, the liquidator must call final meetings of creditors and contributories for the purpose of laying before such meetings his final account and report. The only notice of these meetings which need be given, however, is an advertisement in the *Gazette* (sect. 245).

## PART II.

Each of the four kinds of insolvencies we are considering has at least one point of fundamental difference from the other three. A simple analysis of the types into groups according to similarity of (a) subject-matter and (b) the degree of State control and publicity the proceedings are to receive, will make this clear.

Bankruptcies and deeds of assignment are comparable in that in both cases the subject-matter is the affairs of insolvent persons ; and for a similar reason compulsory

winding-up is comparable with creditors' voluntary winding-up, for they are both concerned with the affairs of insolvent companies. In group (b), however, the pairings change. Bankruptcy is comparable with compulsory winding-up, for in both cases the proceedings receive the maximum publicity and State control ; and deeds of assignment can be grouped with creditors' voluntary winding-up, as the intention in these cases is for the minimum publicity and State control.

It is obvious, therefore, that in view of these important differences of subject-matter and in the objects which it is desired to attain, there must be a good deal of variation in the general law relating thereto. At the same time it does not seem unreasonable to expect that any feature common to all insolvencies should receive similar treatment in law. Now, the particular aspect of the insolvency laws we are considering to-night—that is, the accounts of trustees and liquidators—is, I suggest, a feature common to all insolvencies, and it seems to me that, so far as accounts are concerned, one would not expect very material variations in the law. But, as we have seen in Part I, there is, in fact, very considerable variation, and I propose now that we compare the more important of the provisions one against the other to see where, and if possible why, the differences exist.

I propose that we consider the provisions under two broad main headings :—

- A. From an internal aspect, i.e., what books and accounts must be kept ; what the provisions are for their verification and audit ; and what accounts must be lodged with the Board of Trade, &c., for filing.
- B. From an external aspect, i.e., what books and accounts of the trustees and liquidators are open for the inspection of creditors and others, and how copies and extracts can be obtained ; and what accounts and reports thereon are presented to creditors, &c., at meetings, or sent out to them by post.

### A. THE PROVISIONS FROM AN INTERNAL ASPECT.

In considering the law relating to the internal aspect, it is important to bear in mind the difference in status between the various kinds of trustees and liquidators. Bankruptcy trustees and compulsory liquidators are officers of the court, whereas deed trustees and voluntary liquidators are, broadly speaking, agents of the creditors and company respectively.

#### (i) *What Books and Accounts Must be Kept.*

The books to be kept by the different trustees and liquidators vary only in matters of relative details, such as rulings. All trustees and liquidators must keep a cash book (and this is the principal book) to record the realisation of the assets and the disposal of the proceeds. Bankruptcy trustees and compulsory liquidators are required to keep their books in a very special analysed form ; deed trustees, however, can invariably please themselves about the precise type of ruling ; and although the committee or creditors in creditors' voluntary winding-up can direct what books the liquidator shall keep, they invariably leave the matter entirely to his judgment. Bankruptcy trustees and compulsory liquidators must also keep a record book, for minutes, &c., and such other books as may be necessary to record properly the proceedings ; and although there is no specific statutory obligation for deed trustees to keep similar books, the practice is to follow the rule in bankruptcy as far as possible. The liquidator in creditors' voluntary winding-up must keep a minute book for minutes of general

meetings of creditors, and it is usual to record in the same book minutes of meetings of the committee and of contributories. He must keep such other books as the committee or creditors direct ; and if, as usually happens, they leave the matter to him, he follows the rule in compulsory winding-up so far as is reasonable.

The book-keeping in each case is invariably done by single entry, except in special circumstances, such as when there is prolonged trading by the trustee or liquidator or where the book debts, for example, are of such a nature as to make double entry in relation thereto desirable.

Accounts, except trading accounts, in all cases, take the form either of copies of or extracts from the cash book, or summaries of the entries therein. When trading has been carried on, it is the rule in each case to keep trading entries quite distinct and to embody trading account totals in the general accounts only at prescribed times.

*(ii) The Provisions for Verification and Audit.*

There is a good deal of variation in the provisions with regard to the verification and audit of accounts in insolvencies. The extremes are the provisions for bankruptcy and compulsory liquidation, on the one hand, and those for a voluntary liquidation concluded within a year, on the other.

The bankruptcy trustee or compulsory liquidator must submit his cash book, &c., for audit by the committee not less than once every three months. If he carries on trading he must, not less than once a month, verify his trading account by affidavit and thereupon submit it to the committee or its nominee for examination and certification. Every six months he must make two copies of his cash book for the preceding six months, verify one by affidavit, and then send both copies with relevant vouchers and certain other documents, &c., to the Board of Trade to be audited again. *At the other extreme* are the duties of the voluntary liquidator when he completes the winding-up *inside* a year. He is required to submit his books and accounts to the committee or the creditors when they so direct. There are no fixed intervals, but simply when they direct, *and it follows, if they direct*. This rule applies whether the winding-up lasts more than a year or less ; but at the moment I am referring especially to where it lasts less than a year. For in such circumstances, although he may have carried on trading, far from having to verify his accounts by affidavits and submit them to a double audit (as in bankruptcy and compulsory liquidation), he is not required even to lodge detailed accounts, even merely for filing purposes.

If, however, the creditors' voluntary winding-up is not completed within a year, the liquidator has to lodge, at the end of the year and of each succeeding six months, with the Registrar of Companies detailed receipts and payments accounts in duplicate. If he has traded, he must also lodge a trading account, in duplicate. One copy of the general account has to be verified by affidavit, but neither the trading account nor the general account has to be audited by the committee, &c., or any Government department.

With regard to deeds of assignment, the trustee is not required to submit his accounts to periodic audit (unless the deed takes the very unusual form of requiring it) ; but once a year he must prepare an account of receipts and payments in detail (but not in duplicate), verify it by affidavit, and lodge it with the Board of Trade. If he trades he must also lodge a trading account, but this does not have to be verified by affidavit separately.

In each of the four cases there are provisions for an official investigation or special audit if complaint of a

serious nature is made against the trustee or liquidator. In bankruptcy, any creditor, and in compulsory liquidation, any creditor or contributory, may apply to the Board of Trade for such investigation. In a deed of assignment a majority in number and value of the assenting creditors must make application to the Board in writing for an official audit, but in voluntary liquidation the Board have power to enforce one at any time, if they so wish.

The question of the desirability of all trustees and liquidators having to submit their accounts to periodic audit is, I think, an interesting one. Bankruptcy trustees and compulsory liquidators are, of course, as I have said, officers of the Court, and apparently the Court, or whoever is responsible, thinks it necessary for their accounts to be audited notwithstanding the fact that they may be Chartered or Incorporated Accountants. It is not merely that the view is taken that as the winding-up is under the Court, the accounts of these Chartered or Incorporated Accountants must be supported by affidavits, so as to make them liable to perjury in the event of a misstatement, *but that audit, and double audit at that, is necessary*. Personally, without expressing an opinion at the moment one way or the other as to the desirability of an audit in all insolvencies, I feel that it is not easy to see what real justification for an audit can exist in any one type which does not also exist in the others. The same possibility of error or opportunity for fraud exists in each type more or less to the same degree ; and of course the prevention or detection of these matters are the main objects of an audit. It is not as if one class of accountant acted in bankruptcies and compulsory liquidations and another class in deeds and voluntary liquidations, and the difference in classes made an audit necessary in one and not in another ; nor is it true that in certain types of insolvencies less care is used than in others. The fact is, of course, that the same man is very often trustee or liquidator in one of each of the four types at the same time, and he does not vary his efforts in the slightest degree. Assuming for the moment that an audit is a desirable thing, owing to the possibility of fraud, &c., then the question arises, why should creditors (and contributories) be denied the advantages of an audit simply because they decide that their debtor has not merited the stigma of bankruptcy or compulsory winding-up ? As if the offence of the debtor had anything to do with the ability or integrity of the trustee or liquidator. Expense does not enter into the question ; but even assuming it did, it is probably true to say that the general run of deed estates and voluntary liquidations, neither of which has periodic audits, are in a better position to "afford" an audit than bankruptcies and compulsory liquidations.

*(iii) What Accounts Must be Filed.*

Bankruptcy trustees and compulsory liquidators are required to lodge with the Board of Trade two copies of their cash book every six months and at the conclusion of the winding-up. These, of course, are sent for purposes of audit. They are not duplicate copies : one is an exact copy of the cash book and the other is merely an abridged copy. They must also send the trading accounts (if any) and certain other details with regard to their accounts, in prescribed forms. And when they make application for their release, they must lodge a summary of receipts and payments covering the entire period of the winding-up.

Trustees under deeds of assignment, however, are only required to lodge with the Board a single detailed account of receipts and payments, and a single trading account, if they have traded, once a year, and at the conclusion of

the winding-up. They are not required to lodge a summary of receipts and payments when the winding-up is complete.

The provisions for creditors' voluntary winding-up are quite different again from either of the other three. The liquidator is only required to lodge detailed accounts when the winding-up lasts more than a year. If it is concluded within a year then, as we considered a few minutes ago, he is not required to lodge detailed accounts at all. If the liquidation lasts a year or more, however, he must, after the end of the first year, and after the end of each succeeding six months until the winding-up is complete, lodge with the Registrar of Companies a detailed account in duplicate, and a trading account in duplicate, if trading has taken place. And in addition, at the conclusion of the winding-up, and whether the liquidation lasts less or more than a year, he must lodge a summary of the receipts and payments covering the entire period.

Summarising these provisions, we see that detailed accounts of receipts and payments must be filed as follows:—Bankruptcy and compulsory winding-up, two copies every six months; deeds of assignment, one copy every twelve months; voluntary winding-up, two copies at end of first twelve months (if it lasts twelve months) and two copies every six months thereafter; but if it does not last twelve months, *then no detailed accounts at all*. In addition to detailed accounts, a summary covering the entire period must be lodged when the winding-up is complete, in every case except in deeds of assignment.

#### B. THE PROVISIONS FROM AN EXTERNAL ASPECT.

##### (i) *The Inspection of Books and Accounts, &c.*

In bankruptcy any creditor, and in compulsory winding-up any creditor or contributory, may personally or by his agent, subject to such control as the Court may see fit to impose, inspect the books of the trustee or liquidator. There are, however, no specific provisions for inspection in either deeds of assignment or creditors' voluntary winding-up.

With regard to the inspection of the accounts filed with the various Government departments, the rules prescribe that in bankruptcy and compulsory winding-up any creditor or other person interested may inspect the copies of the trustee's or liquidator's cash book, duly certified by the Board of Trade, which are filed each six months at the Board of Trade and the Court. There are no provisions, however, for obtaining copies thereof. In deeds of assignment, any creditor or other person interested, who cares to pay 1s. for the privilege, may inspect at the Board of Trade the accounts which the trustee must file there annually; and, moreover, may obtain copies or extract on payment of a prescribed fee. In creditors' voluntary winding-up, however, only creditors or contributories, so stating themselves in writing, may personally or by their agents, and upon payment of 1s., inspect, at the office of the Registrar of Companies, the accounts, &c., which the liquidator must file there at the end of the first year and of every six months thereafter, and may obtain copies or extracts at 4d. per folio of 72 words or figures. *But*, if anyone who is not a creditor or contributory so describes himself in order to inspect the accounts, it is laid down that he shall be guilty of a contempt of court.

In bankruptcy, any creditor who has proved may call upon the trustee to furnish him with a copy of the cash book, or an extract therefrom, upon payment at the rate of 3d. per folio. *There is no comparable provision in either of the other three types.*

##### (ii) *The Accounts and Reports presented at Meetings and distributed by post.*

In considering the law with regard to the accounts and reports to be presented at meetings and distributed by post, I should like you to imagine for a few minutes that you are a creditor in an insolvency.

You are owed an amount of money by the insolvent debtor and the greater part, if not all of this, you will not recover. You have concurred in the appointment of a certain accountant as trustee or liquidator for the purpose of realising the assets of your debtor and distributing the proceeds. Beyond question, you expect this accountant to be honest in his dealings and to possess the requisite skill. It seems to me, however, in addition, that you have the right, or you should have the right, to know from time to time how he is getting on with his job; how the assets are realising as compared with the original estimates; what the prospects are of an early dividend and the amount thereof; and if there are any special features in the case which were not apparent when the insolvency began you ought to be told about them and so on. In my view, you, as a creditor, should have the right to be given this information from time to time, at certain fixed intervals, at meetings or by post, and that it should not be necessary for you to have to ask for the information before it is forthcoming.

Now let us consider what the actual provisions are. A bankrupt trustee when he declares a dividend must send out by post, to every creditor who has proved, a statement of his receipts and payments made up to the date of dividend, supplemented with such information as he thinks desirable. He must also send a similar statement when he gives notice to the creditors of his intention to apply for his release, this statement covering the entire period from the receiving order. But what is the position when there is no dividend at all, or there is a wait of, say, a year or two or even more before a dividend is paid—a by no means rare state of affairs? The creditors hear nothing (except in the very unusual circumstances to which I shall refer in a moment) unless individually they ask the trustee to report, until a dividend is eventually declared, or if there is no dividend at all, until the trustee informs creditors the winding-up is over and he is going to apply for his release. There is a provision in bankruptcy, however, which I have never heard of being resorted to, by which any creditor with the concurrence of one-sixth of the creditors, including himself, may call upon the trustee to transmit to all creditors a detailed statement of receipts and payments.

A compulsory liquidator, by contrast, sends out through the Board of Trade, every six months during the winding-up, to each creditor and contributory, a summary of his receipts and payments for the preceding six months. This summary, however, is not supplemented by a report, as in bankruptcy. And it is merely a summary for the preceding six months; it is not a cumulative summary from the beginning of the case to the date it is sent out; so that to follow the progress of the winding-up the creditor must preserve and compare all the six-monthly summaries he receives. The compulsory liquidator *does not send out a statement with dividends*. When he gives notice to the creditors and contributories of his intention to apply for his release, however, he sends out, as in bankruptcy, a statement covering the entire period from the Winding-up Order.

A trustee under a deed of assignment must, at the expiration of six months from the registration of the deed, and at the expiration of every six months thereafter until the winding-up is complete, send out to each creditor

who has assented, a statement of his receipts and payments, together with a report. The statement of receipts and payments must be cumulative to the date it is sent out, and the report must contain information with regard to the original estimates of assets and liabilities, the nature and value of the unrealised assets, the causes for the delay in terminating the winding-up, a forecast as to when the winding-up will probably be complete, and any other remarks which the trustee thinks desirable. In short, the statement has to contain, in my view, substantially all the information that creditors could reasonably expect in the form of a periodic circular.

In creditors' voluntary winding-up the provisions are entirely different from those in each of the other three types we are considering. *The liquidator is not required to send out any accounts or reports at all.* If, however, the winding-up continues for more than a year, he must call meetings of creditors and contributories (and give notice thereof by post as well as by *Gazette* and local paper advertisement) at the end of the year, and at the end of each succeeding year, or as soon thereafter as may be convenient, for the purpose of laying before the meetings an account of his acts and dealings and of the conduct of the winding-up during the preceding year. If the winding-up does not last a year, then the provision does not, of course, apply. In addition to these annual meetings, the liquidator must call final meetings of creditors and contributories when the affairs of the company are fully wound-up, for the purpose of receiving his account covering the entire period of the winding-up, and his report thereon. But he is not required to inform creditors and contributories of these meetings by post or even by advertisement in a local paper, but only by notice in the *Gazette*. So that for all practical purposes no notice of these meetings is received, and there is no attendance. It will thus be seen that where the voluntary winding-up *lasts less than a year* (1) there is no obligation for the liquidator to lodge detailed accounts, not even merely for filing purposes ; (2) there is no obligation to send out by post any accounts or reports ; and (3) even though the liquidator is directed to call final meetings of creditors and contributories to receive a final account and report, he is told to do so by such a method as to give ordinary people no reasonable possibility of hearing of them.

Creditors' voluntary winding-up is the only one of the four types we are now considering which provides for meetings to receive accounts and a report. As to the desirability of there being such meetings in all insolvencies, this is a matter of opinion. But in any case, where such meetings are provided as an alternative to sending out accounts by post, and not as supplemental to such accounts, there is the serious disadvantage that where, as often happens, many creditors find it impossible to attend such meetings, they hear nothing of the progress of the case during the entire course of the winding-up.

I have unfortunately found it necessary to omit a number of quite important practical details from my explanations partly in order to cover the ground and partly so as not to cloud the issues with irrelevancies ; but I have striven to omit nothing which I have felt might affect the principles under consideration.

I have also stated the law as it exists, rather than how it is practised. For example, I have referred to the committee auditing the bankruptcy trustee's cash book every three months ; whereas this provision in practice seems to be more honoured in the breach than the observance, for it seems customary to get the committee to audit it only once in six months, immediately prior to the Board of Trade audit. This ignoring of the three-monthly committee audit Rule has been going on for a good many

years to my knowledge ; and it was probably ignored long before I had anything to do with insolvency cases. It was therefore surprising that when the new Companies Act came out in 1929 the old Rule " shall not less than once every three months audit the liquidator's cash book . . ." was repeated. I also did not mention the fact that a number of voluntary liquidators do, in practice, send out accounts by post. The law does not require it, and therefore, although we may agree that it is a desirable practice, it does not alter the fact that in so doing the liquidator is taking the law into his own hands.

The variations in the law with regard to accounts in insolvencies are very confusing, not only to students preparing for their examinations, but also in practice. It is, of course, quite obvious that the proceedings generally must vary ; that is the whole point, for example, in making one man bankrupt and agreeing to another man executing a deed of assignment. But with regard to accounts, something which is common to all insolvencies, the justification for such wide variation as exists is not always apparent.

The variation which most directly concerns creditors is that with regard to the accounts sent out by post or presented at meetings. Occasionally in a bankruptcy case, for example, a creditor will ask you when your *usual* accounts will be going out—the word " *usual* " referring to the accounts which you sent him in the last insolvency case in which he was a creditor, which happened to be a deed of assignment. In such circumstances it is not easy to make one's explanation *sound convincing*. The question on another occasion may be " I presume you will be calling a meeting shortly ? " ; and then one has to explain that *only* in voluntary liquidations are there meetings. And on another occasion one might be asked " Why don't you send out accounts every now and then like Mr. X does ? " or at least this unfair thought about you may cross the minds of many creditors.

Correspondence with creditors with regard to the position of the case is to a certain extent probably inevitable—whether accounts go out periodically or no. But broadly speaking, as the object for which creditors write is to inquire the position, if they are told the position periodically, in the form of an account and report, the main object of their writing would appear to be removed. As against this is the possibility that when creditors are told a certain amount, their appetite is whetted for more. It is not at all easy to say which provisions are the best ; in fact, after having given a good deal of thought to the question, I am afraid that the only conclusion I am really sure about is that as the provisions in no two cases are the same they cannot all be the best !

In considering which provisions are best one must have regard not only to the wishes of those who ask for information, but also to the fact that there are those who do not ask but who may feel they are being neglected by the trustee or liquidator. There are also the points on the one hand, should creditors be put to the trouble of having to ask, and on the other, should they be put to the inconvenience of being told without asking (strange though this may sound ; for in some long drawn out cases creditors may prefer to *forget* the case until a dividend is payable).

While I do not want to appear to be dogmatic over a matter on which there are so many points of view, I think that the best provisions with regard to the distribution of accounts and reports are those applicable to deeds of assignment. Here, as we have seen, an account made up to date from the commencement of the winding-up, goes out every six months. The form that the account must take is set out in the deeds of arrangement rules, and the information which must be contained in the report

which has to accompany the account is also therein laid down. Not only must the trustee show his receipts and payments from the commencement of the case, in a prescribed manner, but he must also, amongst other things, state in his report the nature and value of the unrealised assets, the causes delaying the termination of the winding-up, estimate how long it will be before the estate is closed, and also give particulars of any special circumstances affecting the costs of the realisation and of the administration of the estate. In short, all that reasonable people might expect to be told in the form of a periodic circular or general report. Personally, I should like to see incorporated in the form of account, one feature appearing in the form prescribed for bankruptcies—a column in which the statement of affairs estimates of the values of the individual assets are shown against the actual realisations. With regard to periodic meetings I do not regard them as really necessary if creditors get the information I have indicated by post; and my experience of them is that they are not very well attended. And there are certain types of insolvencies in which it might be undesirable for the trustee or liquidator to be cross-questioned at a meeting on matters which require delicate handling. But at the same time, where the intention is that there shall be meetings, I suggest that in all cases they should be called not only by advertisement in the *Gazette* or local paper, but by individual notice through the post.

#### Discussion.

**Mr. J. M. KEYWORTH, Incorporated Accountant :** While agreeing with the Lecturer about the desirability of an audit, *i.e.*, if an audit is desirable at all—it is just as desirable in voluntary liquidation as in compulsory liquidation. I do not think the Lecturer expressed any opinion about the double audit and the difficulties connected with it. He did not say whether he thought it was redundant or desirable. Recently I have served on a committee of inspection and it has been very galling to me to have to do this audit knowing that it would be done again by the Board of Trade after I had finished. Does Mr. Radford think this is a good provision in our law, or that it is redundant?

**Mr. RADFORD :** The whole question of the audit is to my mind one of considerable difficulty. In bankruptcies and compulsory windings up, as I have said, the provisions require a committee audit, a Board of Trade audit, and, in addition, the trustee or liquidator has to certify the accounts by affidavit; that is, he not only gives a certificate but he does so in such a form as to make him liable for perjury in the event of a misstatement. I must confess that I do regard the double audit as somewhat redundant, but exactly which of the two audits is unnecessary I should not like to say at the moment. It is a very difficult question when, as you know, anyone to-day can call himself an "Accountant." We Incorporated Accountants have no monopoly over trusteeships or liquidatorships: the trustee or liquidator need not be an accountant. Now if we had registration in our profession and only Incorporated, Chartered or Registered Accountants were allowed to act as trustees or liquidators, then possibly the situation might be met without audit at all and merely by the trustee or liquidator giving his certificate in the form of an affidavit. One might even regard the affidavit, so far as an Incorporated Accountant is concerned, as in the nature of "painting the lily"; his mere certificate alone ought to be good enough. But tentatively I suggest that an ideal provision might be, assuming that greater restrictions existed as to the appointment of trustees or liquidators, the giving of a certificate in the form of an affidavit and the periodic examination by a Committee, without any Governmental interference.

**Mr. E. J. GAMBLE, Incorporated Accountant :** There are just one or two questions I would like to ask. First, is there any infringement of the law on the part of a

liquidator where he sends out accounts when that is not provided for by the rules and regulations?

**Mr. RADFORD :** I suppose there is a subtle difference between breaking the law and taking the law into your own hands. I think when you take the law into your own hands in the circumstances you mention no one objects. I know quite a number of accountants who have done so and there has been no objection raised by any of the Government Departments so far as I know.

**Mr. GAMBLE :** I have another point. In addition to the fact that the trustee and liquidator need not be a qualified accountant, I think the committee of inspection need not be composed of qualified men. If those rules are still to exist, I think it would be better for the accounts to be audited by the Board of Trade; I mean, unless rules are brought in providing that committees of inspection shall include a qualified accountant.

**Mr. RADFORD :** There is a type of man known now as a "professional committeeman." Personally I deprecate the existence of that type of man on committees. A man need not be an accountant to go on a committee—in fact I think it is better that he should not be. One accountant should be sufficient to keep the accounts. The audit is very formal and simple. I think it is better to lock the door before the horse has bolted—to make sure that the case is being handled by a man whom everybody trusts, and if he gives his certificate, that really should be all that is necessary for the Board of Trade or any other Government Department.

**Mr. W. J. BACK, Incorporated Accountant :** The questions and answers so far have proceeded on the basis that the committee conduct a real audit. Do they in fact do so, or do one or two of them turn up and sign on a dotted line?

**Mr. RADFORD :** Yes, it is my experience that they do usually sign on a dotted line. Nevertheless, they are committeemen and if they sign on the dotted line the implication is that they have reason to trust the trustee or liquidator implicitly; and if they, who themselves are usually the largest creditors and represent the general body of creditors have reason to trust the trustee or liquidator, then I think everything should be well.

**A STUDENT :** With regard to the question of sending the accounts by post, don't you think in the case of a voluntary liquidation it may be desirable to maintain some secrecy? If there is no question of insolvency I do not see why they should not maintain a certain amount of secrecy.

**Mr. RADFORD :** I have deliberately this evening dealt only with insolvencies and not with members' voluntary winding up.

**The CHAIRMAN :** Most of the discussion seems to have hung around the question of an audit, and why there should be audits in the case of bankruptcy and compulsory liquidation and no audits in voluntary liquidation or deeds of assignment. Now the Board of Trade audit goes much further than the mere checking of the cash book and vouchers; it reviews the whole of the liquidator's or trustee's administration and sees that he has carried out all his duties—that he has disclaimed properties, that he has collected money from landlords, and that he has really left nothing undone which would have to be done, possibly, later on by the Official Receiver when the latter takes over the estate after the release of the liquidator or trustee. I think it is probably for the latter reason that such a stringent audit is carried out in compulsory liquidations and in bankruptcy. The situation is different in voluntary liquidation and deeds of assignment. The Official Receiver does not come in. Under a voluntary liquidation a company is dissolved three months after the final accounts are filed, and, if I might use the expression, the "body" is not passed on to the Official Receiver. The company dies and is buried straight away. The deed of assignment in the same way relieves the debtor of his liabilities immediately after the creditors have accepted it, and the estate is virtually closed as soon as the final account is filed. Coming to the

question of why there should be two audits, one by the Board of Trade, one by the committee, I think the reason probably is that the Board of Trade say to themselves : "the committee are the people who have the biggest interest in this case, they are nearest to the estate, they know what assets there should be, and they know whether the liquidator or trustee has realised everything or not ; and their certificate is valuable to this extent." In practice I do not think I have had six committees out of probably 300 who have done what I would call an audit of the trustees' cash book. Some of them, as Mr. Radford says, sign on the dotted line, others look at the figures and not at the vouchers, while others look at the vouchers and probably at the wrong side of the cash book to find the entries. I mean that the practical value of the audit by the committee is almost negligible. I do not agree with Mr. Radford when he says that he likes the procedure in connection with deeds of assignment better than any other. There are many cases in which you have a long-drawn-out law action, taking perhaps two years or more, and if you have to send out notices to creditors every six months, you are going to get back a whole lot of inquiries.

A vote of thanks to the Lecturer and Chairman terminated the proceedings.

## Changes and Removals.

Messrs. Brahmayya & Co., Incorporated Accountants, have removed their office to 7, Kondi Chetty Street, G.T., Madras.

Mr. Bryan Grugeon, Incorporated Accountant, has commenced public practice at 2, Ethelbert Parade, Bromley, Kent.

Messrs. Gurney, Noteatt & Fisher have removed their offices to Reserve Bank Chambers, Wale Street, Cape Town.

Mr. F. H. Holden, Incorporated Accountant, has recently commenced public practice in Milan, Italy. His address is Piaz a Castello 20.

Messrs. Thomas May & Co., Incorporated Accountant, Allen House, Newarke Street, Leicester, have admitted into partnership Mr. W. T. Manning, A.S.A.A., and Mr. E. Bates, A.S.A.A. The style of the firm will remain unchanged.

Messrs. Shirley March & Co., Incorporated Accountants, announce that the firm will in future be carried on under the name of Shirley March, Bosworth, Cramp & Co., the partners being Mr. E. H. Bosworth, Incorporated Accountant, and Mr. A. E. Cramp, Incorporated Accountant. The firm will continue to practise at Granby Chambers, Halford Street, Leicester, and also at 1, Leicester Road, Anstey.

Messrs. West, Williams & Salisbury have transferred their offices to 2, Coleman Street, London, E.C.2.

## Professional Appointment.

Mr. A. V. Blunt, A.S.A.A., has been appointed Treasurer to the Tyne Improvement Commission.

## Currency Problems.

A LECTURE delivered to the North Staffordshire District Society of Incorporated Accountants by

Mr. A. R. CAPEY,  
Foreign Manager, District Bank, London.

Mr. CAPEY said : Although currency or money problems have been very much in the public eye during the past few years—traders have been forced to pay regard to them on account of the instability of exchange and restrictions on transfer—it must not be imagined that such problems are anything new. It is probable, however, that in the history of the world there has not been a time when the difficulties have been so universal as they are at present.

### THE HISTORICAL FACTS.

Reduction of the gold, silver and copper content of coins and national monetary units is as ancient as the history of coins themselves. Reduction of the gold content of the pound sterling would provide nothing new to the history of money. It would merely be history repeating itself. Edward III was the first to reduce the gold and silver content of the pound. He did it between 1344 and 1351. His example was followed later by Richard II, Henry IV, Henry VIII, and many others. Henry VIII's marital excesses were matched by his monetary excesses. He was the father of what is known in English monetary history as "The Great Debasement." The city States of ancient Greece debased coinage over 2,000 years ago, during the Peloponnesian war. When Hannibal was driving all Roman armies before him and was approaching the walls of the city in 216 B.C. the Roman citizens cut the copper content of the coins in half. Wars caused inflation even then. Nero started the empire on one of its worst debasement sprees, one which lasted for nearly three centuries.

Gresham's law, which is commonly attributed to Sir Thomas Gresham, of the Elizabethan period, was really first expressed by Aristophanes, the ancient Greek playwright. He noted the essential principle that bad money drives out good at the time of the debasement of Greek coins during the Peloponnesian war. In Greece it was more difficult to debase coins than in Rome. The reason was that the Greeks did not vest the powers of government and minting in one individual, as the Romans did in their emperors. Most extensive frauds were perpetrated by the Romans in connection with money. It was done usually with the intention of benefiting the ruler.

The early history of Roman coins is chiefly one of copper and silver. The copper "as" and the silver "denarius" were the chief units. The "as" was established in the sixth century B.C. by Servius Tullius, and originally consisted of one Roman pound of copper. It became less in time. Gold was given the same treatment by the Romans. A revaluation at present would be directly in line with what happened during the reign of the Emperor Augustus. During the sovereignty of Julius Caesar 40 gold aurei were coined from a pound of gold. Augustus increased it to 45. By the time of Constantine the aureus was being coined at the rate of 72 to the pound of gold.

As if it were not enough to reduce the weight of the coins the later Roman emperors increased the amount of the alloy in them, particularly the silver coins. Nero started it. Up to his time, about A.D. 68, the silver coins had been at least as pure silver as it was possible to obtain with the limited metallurgical knowledge of

the ancients. By the end of his reign they contained about 5 per cent. alloy. Between A.D. 100 and 160 Trajan and Antonius raised it to about 25 per cent. Septimus Severus made it at least 50 per cent. about A.D. 200. During the period of Caracalla and others of the "Thirty Tyrants," including some emperors who made Nero's efforts appear amateurish, the debasement continued. By the time of Aurelian, about A.D. 275, there was only 5 per cent. silver left in the coins, and this sank to 2 per cent. They had become virtually copper coins.

When paper money was first used it was not long before rapid inflation had debased it. Kublah Khan, one of the sons of the Mongolian war lord Jhengis Khan, issued some about A.D. 1260. He used it to pay his troops, and to pay for supplies in conquered territories. Marco Polo relates that 228,960 taels were printed in 1267, and that in 1290 50,002,500 taels were issued. The modern German paper inflation of 1923 was thus antedated by the operations of this Asiatic monarch by more than 600 years. The paper taels, of course, soon lost most of their value for purposes of exchange.

Edward III was to some extent obliged to raise the mint price of silver and debase the pound sterling at the start of the Hundred Years War. His first debasement did not alter prices much because silver and gold had become scarce. The influx of precious metals into England from the plunderings of the Crusaders had stopped and mines were not being developed. In 1344, when the third Edward had completed his first coinage debasement, the mint value of silver to the seller was 22s. 4d. By 1816 it was 6s. 6d. Between 1344 and 1717 the statutory value of gold to the seller at the mint rose from 22s. 9½d. to 84s. 11½d. Its present market value in London is about 140s.

When Henry VIII debased the silver coinage he used a blanching process to keep the coins from turning a bad colour. The process consisted of coating the coins with silver of a higher fineness. The British Government had to do the same thing with the first new issue of debased silver coins in 1922 because many had become discoloured.

The historical facts I have just related to you are taken from a pamphlet issued by a London firm of stockbrokers which republished an article from the *Financial Post*, Toronto, of April 29th, 1933. This article in the Canadian paper also contained many tables, but these, although interesting, would take much too long to read.

#### MODERN DEVELOPMENTS.

It is strange that although modern life as we know it in Europe and America could not go on without a medium of exchange few people have taken the trouble to study its mechanism or nature. Our education neglects it altogether, and, although this is understandable to some extent in England, in view of the solidity of the pound sterling over a long period, when a pound, whether in gold or paper, was considered to be immutable, public ignorance in many countries has been responsible for vast waste and losses. In this country at least this ignorance, or to use a kinder term implicit belief in the pound sterling, saved us from most of the ills which befell the people of other nations, who, by reason of the comparative instability of their currencies, have been schooled to suspect them. Money or currency under present conditions cannot be a safe and dependable medium of exchange in a society made up of people who are ignorant of its nature.

It is true that there have been stable civilisations without money or currency. A great part of Europe

in the Middle Ages existed on the basis of a natural economy. China at some periods did not coin the precious metals and Egypt for thousands of years had no coins. Gold and silver were, of course, used by rulers and merchants, but money was unknown to the common people. The difficulties of transfer due to the maldistribution of gold which have existed in many countries since the war have caused merchants to endeavour to circumvent the restrictions by means of barter transactions. These in the main have proved cumbersome and in themselves restrictive on trade. It is evident therefore that the present high degree of civilisation makes a medium of exchange indispensable, that is, until men have become much wiser than they are at present.

In the lifetime of all of us here to-night currency troubles have brought untold misery in many parts of the world, and economists and financial experts are groping towards a money device which will ensure stability in times of crisis and prevent the financial panics we have witnessed in various countries since the war, notably in Germany, Austria, France, Italy and America. The majority of the people in this country have no idea of the suffering entailed in these countries as a result of currency depreciation. The rapid depreciation of the pound following our departure from the gold standard had very little effect upon the life of the people in this country. This was due to our phlegmatic temperament, to our supplies from colonies, and to the fact that, owing to the importance of Great Britain as a market, other countries were forced to deflate in order to maintain their exports to us.

How is this money device to be found—this medium of exchange which will ensure a generous continuance of the good things of life indefinitely and for all nations? It is not my intention to attempt to provide an answer to this question or to invite a discussion on it. I propose to confine my remarks to giving you a short outline of the currency troubles experienced by a number of countries since the war and to follow this with a few practical remarks on the exchange restrictions at present in force in the chief countries of the world.

#### GERMANY AND AUSTRIA.

The collapse of the German and Austrian currencies after the Great War is, perhaps, the most amazing chapter in the history of currency. In the case of Germany the fall of her currency from 1920 to 1923 caused untold misery throughout the country and inflicted heavy losses on foreigners who bought the currency believing it would eventually appreciate to its pre-war gold value. It is estimated that between £500,000,000 and £1,000,000,000 was lost by speculators, chiefly in America, Great Britain and France. In Germany the mark lost its primary function of measuring values in goods and services and became the plaything of the speculator. The decline went slowly at first. In July, 1921, the pound sterling was equal to about 400 marks as against the pre-war parity of just over 20. The assassination of Dr. Walther Rathenau, a leading industrialist and one of Germany's foremost statesmen, in June, 1922, sent the mark tumbling to 3,000 to the pound. In July, 1922, it was 3,400 to the £, and in October of the same year, after the payment to Belgium, it went to 22,500, and a month later to 40,000. In January, 1923, following the allied decision to enter the Ruhr, the mark fell to 51,000, and a few months later, in July, it reached the absurd figure of 5,000,000 to the £, falling thereafter at a constantly accelerating rate until it reached the appalling figure of 20,000,000,000 marks to the £.

In the end the mark had to be abandoned and a new currency, the Renten-mark, succeeded it as a temporary form of money in 1924. The Renten-mark was officially valued as worth 1,000,000,000,000 marks. The havoc of the depreciation in the value of the mark had been incalculable. The middle classes suffered intensely. Those who had saved money saw their savings melt in a night. As soon as people received money it had to be turned into goods, so men began to spend madly. The simplest purchase in a shop required a suitcase full of notes. Behind every counter were shelves loaded with notes. Wages were based on the official index of prices, but they naturally lagged far behind the soaring mark. The towns and cities were short of food, so farmers were reluctant to sell their produce for depreciating currency. Travellers in the country lived like princes on a few pence a day. The effect of the breakdown of the currency was a free transfer of enormous wealth from Germany abroad in the form of transferable goods. Eventually the Government intervened and forbade the export of goods, except under special licence. This measure was effective, but it came too late. Within Germany there was a transfer of wealth from one group to another. Those who had loaned money found themselves repaid in worthless notes. Mortgages were repaid in full at the merest fraction of their face value. The German Government, the States and municipalities were relieved from their funded indebtedness by a payment to holders in worthless paper. In fact, life was so fantastic that it was a wonder how the nation managed to carry on. Just how strange life was can be judged from an extract from a report received in August, 1923, from a correspondent of a daily paper :—

" Yesterday my chop at luncheon cost me 600,000 marks, £30,000 at the old parity, but to-day it cost 1,500,000 marks, £75,000 at the old parity. How people live on fixed incomes is a mystery to me. The lack of a stable currency is a strain on the nerves. The chief difficulty is we cannot get money. I myself, for example, am a pauper. This morning at my bank I was told I could not have more than 500,000 marks, otherwise fivepence. The bank opened again at 5 o'clock. A long queue was there ahead of me. But the messengers from the Reichsbank had not returned. I must be up with the lark to-morrow to be at the bank when the doors open."

Such was the effect in Germany of the breakdown of the money device. What is the explanation of this currency failure brought about by a riot of inflation? Certain facts present themselves. The German population during the war religiously followed the instruction of the Government in connection with money matters. Practically all the gold was handed in to pay for the sinews of war. Paper money was issued in its place and was accepted by the people as the equivalent of gold. Germany's "paper" circulation in 1918 was about five times its pre-war volume. Prices, however, had not increased in the same proportion. These had been rigidly fixed by the Government, and when the blockade ended it was no longer necessary to ration the necessities of life at fixed prices. The increase in the currency circulation had its effect on prices, which doubled in 1919. Germany, naturally, was in great need of raw materials, and imports increased at an alarming rate. The mark was put under pressure, more and more marks had to be printed to cope with rising prices, and the cumulative effects produced the results I have just explained.

The collapse of the other Central European currencies was very much the same. The Austrian krone depreciated in the main as a result of the same pressure on an uncon-

trolled paper currency. The effects were similar, but before the inflation had proceeded on anything like the scale it did in Germany the currency was stabilised under the auspices of the League of Nations and with the aid of an international loan. Nevertheless the breakdown of the currency device produced on a smaller scale the phenomena seen in Germany. There is a story told of two brothers in Vienna who inherited equal fortunes on the death of their father. One, being of a thrifty disposition, invested his share successfully in Austrian Government securities. The other built a mansion and entertained lavishly. As a result of the collapse of the krone the empty bottles in the wine cellar of the spendthrift were worth more than the Government securities of the careful one.

#### OTHER CONTINENTAL COUNTRIES.

I have endeavoured to give you some idea of the chaos produced in the two leading countries who were on the losing side in the Great War. The victorious nations had similar troubles, but the extent of them was on a very much smaller scale. France was forced in June, 1928, to create a new currency on the basis of 124.21 to the £ sterling, as against 25.22 before the war. This stabilisation was achieved only after a flight of capital which at one time forced the rate of exchange to about 250 to the £. Vigorous measures imposed by M. Poincaré prevented a situation developing which might have produced a state of affairs similar to that which existed in Germany and Austria a few years earlier.

Belgium in October, 1926, created a new currency called the belga on the basis of 175 francs to the £ (one belga = 5 francs), as against 25.22 before the war.

Italy in December, 1927, established a new currency on the basis of 92.46 to the £, as against 25.22 before the war. The stabilisation of the lira was accomplished only after great difficulty. In fact, it was thought that the lira was overvalued in terms of other currencies. Nevertheless the value of the lira was maintained by means of drastic measures imposed by a dictatorship.

#### GREAT BRITAIN.

During the period when the currencies of other European countries, victors and vanquished alike, were tottering the currency of Great Britain remained steady, and a return to the gold standard in 1925 was accomplished on the pre-war parity with the dollar, i.e., at 4.86½ dollars to the £. For a country which had borne the lion's share of the financing of the war this was no mean achievement. The wisdom of it, judging by subsequent events, was to be doubted. Post-war financial history may be divided into three periods: that of currency chaos, which I have just described, that of stability and that of economic crisis. The movement towards currency stabilisation began in 1922 and the Governments set themselves as an ideal the complete removal of exchange restrictions which had been practised during the war, and to a more modified extent during the periods of currency chaos and stability. In the majority of cases restrictions were not lifted after the legal stabilisation of the currency. For instance, after the return to the gold standard by Great Britain in 1925 an embargo on foreign issues was reimposed in this country owing to the difficulties caused by the general strike and the coal strike, and was not removed until 1927. Here, as in other countries, it was feared that a too sudden return to freedom after many years of restrictions might lead to capital movements which might endanger the newly achieved stability. During the period 1928 to 1931 currency stability had been achieved and most countries

had in fact removed exchange restrictions by the year 1931.

#### THE PERIOD OF CRISIS.

The stability was to be short lived. Actually it came to an end a few months after the removal of exchange restrictions in most countries. The end came rather unexpectedly. The failure of the Creditanstalt, the great Austrian bank, marked the beginning of the period of crisis. The Austrian currency was the first to feel the pressure caused by the flight of capital. The Hungarian pengo and the German mark became suspect, and the movement became almost world wide, and each country in turn became a storm centre. In June a flight from the pound developed, and the alarming loss of gold led to the suspension of the gold standard in this country in September, 1931. A flight of capital from Japan brought the yen off the gold standard before the end of the year. The depreciation in the value of the pound was a great strain on the currencies of the European countries and also on the dollar, which resisted these various attacks during 1932. It was felt, however, that sooner or later the gold currencies would have to adjust themselves to the depreciated pound. In April, 1933, the gold content of the dollar was cut by 40 per cent. after a gold price-raising policy which upset the foreign exchange markets throughout the world. As for the minor currencies, the withdrawal of credits and adverse trade balances resulted in pressure which the various Governments found difficult to withstand. It was only natural that the depreciation of the pound sterling should have such a devastating effect on the other currencies of the world. Great Britain, in addition to being the financial centre of the world, was a most important market for the world's produce. The depreciation of the pound made it difficult for us to buy from gold countries. As the financial centre of the world the sterling balances of foreigners were very large and the withdrawal of these balances could only take place at great loss to the holders.

The first effect of the crisis of 1931 was the increased intervention by Governments in currency matters. With the German and Austrian experiences of 1922 and 1923 in their minds no Government could allow its currency to depreciate without making a great effort to save it. We may say, therefore, that Government intervention in shape of exchange restrictions and exchange control as we know it to-day was a direct result of the crisis of 1931. Exchange control was practised during the war and also during the years leading up to the period of comparative stability, say, 1928-1931, but these measures cannot be compared with the elaborate schemes which have been evolved since 1931 and of which most are in operation to-day.

#### PROTECTIVE MEASURES.

Let us examine the steps taken since 1931 by certain countries to protect their currencies.

First of all our own. In July, 1931, the British Government arranged credits to the extent of £130 million. Part of these credits was arranged in New York and a part in Paris. Certain banks in London were deputed to sell the francs and dollars provided by the credits in order to counteract the adverse pressure on sterling. The amount was exhausted by September 20th of the same year, and the Government had no choice but to suspend the gold standard. From September, 1931, to February, 1932, the £ was allowed to take care of itself. The banks, however, were asked to scrutinise the foreign

exchange transactions effected through them and customers were required to sign a form declaring that the transaction did not amount to a transfer of capital abroad. There were, however, no exchange restrictions enforceable by law. The restrictions did not aim at the creation of a watertight system, and their aim was solely to prevent a flight of British capital abroad. No attempt was made to prevent the withdrawal of foreign balances or of foreign bear speculation in sterling. Foreign currencies for the payment of imports could be bought without any restriction. In March, 1932, even these mild restrictions were removed and the freedom of the foreign exchange market restored. Other methods of control were brought into play. In February, 1932, the Government established an Exchange Equalisation Account with initial resources of £175 million. This fund was first of all used to prevent an excessive appreciation in sterling. This was accomplished by huge purchases of francs and dollars, some of which were subsequently converted into gold. The resources of the Exchange Equalisation Fund were increased by a further £200 million in April, 1933, and this fund has been used repeatedly to prevent an excessive depreciation or appreciation in the value of the £. Mistakes were made at first owing to lack of experience, but the controllers have developed a technique which has earned praise at home and abroad. During 1934 and 1935, notwithstanding financial crises which recurred in France, Holland, Belgium and the United States in particular, the controllers of the Exchange Equalisation Fund maintained the £ at a steady level in terms of the franc, which means in terms of gold, as France during the whole of the period was on a free gold standard. The operations of the fund have of course been assisted by measures which may be described as indirect exchange control. The embargo on foreign issues was reimposed and protective tariffs were adopted in order to stimulate home production and also to safeguard sterling against an adverse trade balance. The British Exchange Equalisation Fund has become a great power and has achieved its object. During the most recent attacks on the French franc the judicious management of its resources prevented a major movement in the exchange rate in terms of gold. From time to time questions have been asked of the Chancellor of the Exchequer as to the state of the fund. Such information has always been politely refused, and I must say that in my opinion it is in the interests of the country that the position should be known only to a very few. Their secret has been jealously guarded, and although many attempts have been made to arrive at an estimate of the resources of the fund at a given time these estimates have always been based upon supposition rather than on fact. Such is the position in Great Britain at the present time. We are living with a managed currency—very well managed, I would say—and although British exporters to European and other countries have the greatest difficulty in many cases in obtaining payment for their goods imports into Britain are paid for without delay.

Now let us examine the position in other countries. The crisis of 1931 caused Germany very quickly to use up the greater part of her financial resources, and the Reichsbank was unable to intervene effectively in face of the continuous drain. In July, 1931, measures were adopted which in fact amounted to a partial moratorium. These measures prevented a second collapse of the reichsmark. It was only natural that Germany should take the strongest measures to prevent a repetition of the misery brought about by the depreciation of the mark in 1922-1923. Interest on the foreign debt was allowed to be transferred

but capital payments were prohibited. The accounts of foreigners were blocked and the workings of the transfer moratorium were subsequently regulated by the Standstill agreements concluded by German debtors with their foreign creditors. The Standstill agreements are still in force although the amounts are in most cases reduced. A system of blocked currencies was established. Foreign creditors who obtained repayment of their debts in reichsmarks were allowed to use these funds only for certain definite purposes, the idea behind the restrictions being that these balances should only be repatriated in a way which would benefit German trade. The result of this was that although the reichsmark was nominally on the gold standard a complicated system of different currencies was developed. In addition to the free reichsmark there are registered marks, security marks, &c. Of these the registered marks are the best known. Under the German credit agreement of 1933 all repayments of credits subject to the Standstill agreements must be paid to a bank authorised by the Reichsbank to act as trustee where they are credited to a registered mark account. Such registered marks may be used for certain specified purposes, the chief of which is in connection with travel in Germany. Bona fide travellers to Germany may utilise registered reichsmarks to the extent of Rm. 1,500 *per capita* monthly to pay for their expenses in Germany. Subject to exceptions however not more than Rm. 50 daily are available under the concession. Travellers with a letter of introduction may obtain Rm. 100 daily. Marks used for this purpose are called tourist marks and payments are entered in the beneficiary's passport. This concession has undoubtedly had the effect of increasing the tourist traffic to Germany since the tourist mark, although fluctuating from time to time in value, has for a long time been over 20 to the £ and is at the moment quoted at 21.50 to the £. Registered marks can also be used for the payment of sea and air passage money to and from Germany and provided they are paid in Germany on internal fares generally.

Security marks are the proceeds of the sale of German securities not acquired with free reichsmark or foreign currency subsequent to July 15th, 1931. These marks are available only for the purchase of reichsmark securities quoted on German stock exchanges or for long term investment in Germany. There is a very small market for these marks in London and they are quoted at a very heavy discount to the free reichsmark.

There have been and still are many other kinds of marks, in fact one could almost write a book on the German currency question. I have, I think, said enough to give you some idea of the measures which have been found necessary to maintain the mark at its gold parity and to avoid a further flight from the mark. There is no doubt that, were the restrictions removed, German nationals would exchange their marks for pounds or dollars and thus precipitate a further crisis.

In Germany they are living with a managed currency, nominally on gold, but so restricted that no free gold movements take place. You will probably remember the visit of the German football eleven to this country. The visit caused great excitement in Germany and also in this country among a certain section of the people, who were of the opinion that the visit of the team and 10,000 followers had political significance. Each visitor was allowed to carry only 10 marks and of course these marks were exchanged for sterling at the various banks and money changing houses in the City and West End. At the time German notes were worth about 16 to the £. The day following that of the match the German Government issued a decree prohibiting the import of German notes

into Germany, thus penalising those who had purchased the notes. I believe we won the match 3-0, which was some compensation for the financial loss.

Italy is another country which is nominally on the gold standard but whose currency is controlled by a system of regulations similar to those existing in Germany. The control is not so rigorous and prior to the outbreak of the Italo-Ethiopian conflict Italy had little difficulty in maintaining the lira at a certain value in terms of gold. It would appear however that since Italy has to pay for war material largely in gold her present stock will soon be exhausted, and sterner control will have to be exercised if the lira is to remain at its present value. In Italy as in Germany the prevailing discipline enables unofficial and official restrictions to be carried out with the utmost efficiency. In a more democratic country it is improbable that the people would accept them with the same grace.

In 1931 Japan was adversely affected by the depreciation in the £ and, despite support by the Yokohama Specie Bank, which sold foreign currencies, mainly dollars, to offset the sales of yen by nervous Japanese nationals, the gold standard was abandoned in December, 1931. The yen was allowed to depreciate to a considerable extent. Restrictions were applied to prevent the export of Japanese capital abroad, but the exchange required to settle commercial debts was not officially controlled.

#### THE AMERICAN DOLLAR.

In the United States the flight from the dollar in various spells between October, 1931, and March, 1933, caused by the abandonment of the gold standard in England was counteracted by the purchase of dollars in London and Paris. These operations were effected by the London offices of the New York banks. One is naturally tempted to ask why the intervention was necessary, U.S.A., France, Holland, Belgium and Switzerland being at that time on an effective gold standard. The answer is that at times the pressure on the dollar was so great that the facilities for the transport of gold across the Atlantic were quite inadequate. Hence the necessity for intervention. After the departure from the gold standard in March, 1933, the U.S.A. dollar started to depreciate rapidly and the authorities, instead of intervening to check the depreciation, openly declared themselves in favour of a depreciated dollar, and actively engineered this depreciation by adopting a new policy of fixing a buying price for gold above its world market price. This policy was at first ineffective as it was not accompanied by free imports of gold and it was not until February, 1934, that the new gold price became effective through the authorities authorising private arbitrageurs to ship gold. During these gold operations the American dollar fluctuated very sharply until the dollar was depreciated by about 40 per cent. in terms of gold. The gold price has remained fixed at \$35 per oz. and has caused the dollar to remain stable in terms of gold. From time to time, however, a certain nervousness has manifested itself on account of the power of the President to devalue the dollar by a further 10 per cent. As time went on, however, it was thought to be unlikely that this prerogative would be exercised, and the dollar gradually settled down around its pre-war parity with the £, namely 4.86\$. The recent decisions affecting the legality of the President's decrees caused a reaction in the value of the dollar, the rate passing 5.00. This depreciation may prove to be temporary for the dollar is inherently strong, and the shipments of gold from New York to other gold countries during the past few weeks show that America is on an effective gold standard.

## COUNTRIES REMAINING ON GOLD STANDARD.

During all these troubles which have successively since 1931 affected the currencies of practically all the important countries of the world France, Holland and Switzerland have remained on the gold standard. Belgium, unfortunately, found the pressure too great, and devalued for the second time on April 1st, 1935. Switzerland and Holland are the only two important countries whose gold parity is the same as it was before the war. France, as I have explained, revalued her currency in 1928 at about one-fifth of the pre-war value. Naturally, the currencies of the three stalwarts of the gold bloc have from time to time been subjected to the severest pressure, but owing to the strong technical position of the currencies in terms of gold these attacks have so far been defeated by the orthodox methods of raising the bank rate and shipping gold. The economic position in each of these countries has suffered. Costs have had to be cut to compete with other countries having depreciated currencies, and taxation increased to balance budgets. Judging by the defeat of the most recent attack on the franc it would appear that the French Government is still determined to maintain its currency at its present value in terms of gold. Well-informed opinion here and abroad is that France will, sooner or later, have to devalue. The credit which has just been granted to the French Government by a group of British banks was necessary because the French Government had borrowed from the Banque de France to the limit of its powers. This credit, which is for the sum of £40,000,000, may help them to preserve their present gold parity for a few months longer.

## THE BRITISH DOMINIONS.

It would have been strange if, during the troubles which developed in various parts of the world, the currencies of Australia, New Zealand, South Africa had remained stable. The currencies of these dominions are based upon the currency of the mother country, and bear the same name—the pound. Up to the end of 1930 it had been very unusual for the Australian, New Zealand and South African pounds to vary very much from the English pound. They were quoted either at a small discount or a small premium in terms of £ sterling, according to the trade balances between these dominions and the mother country. In October, 1930, the Australian pound developed weakness, and the rate was raised to 108½ Australian pounds to 100 English. On January 5th, 1931, the rate was 115, and the rate was raised within a few days to 130 to the £ sterling. A reduction was made on December 3rd, 1931, which brought the rate to 125 Australian to 100 English and the Australian pound has remained steady in terms of English pounds since that date. During the period when the rate was fluctuating sharply unofficial control was exercised by the Australian banks, who made it difficult for funds to be transferred from Australia to London. At the same time imports were regulated by means of tariffs. By these means Australia put her house in order and staged a remarkable recovery. Australia's troubles were largely economic ones. Owing to the fall in the prices of primary products, wheat and wool particularly, the Commonwealth found it impossible to provide exchange to pay for her imports and at the same time maintain the service of her external debt. The devaluation of the currency to 125 in terms of £ sterling by cheapening her products to the outside world enabled her to compete again in the world's markets. At the same time the discount on the Australian pound had the effect of discouraging imports. By these means the credit of the country was saved.

The Australian farmers, of course, have had the benefit of the depreciation of the £ sterling, which was additional to their original devaluation.

Similarly, the New Zealand pound has been depreciated, so that 100 English pounds equals 124 New Zealand pounds, but the change to its present value was made much later than in the case of the Australian pound, and, in my opinion, with much less justification. On January 28th, 1931, 100 English pounds equalled 110 New Zealand pounds, and this discount enabled the New Zealand banks in the year following to accumulate money in London very rapidly. In other words, the trade balance between the dominion and the mother country was very much in favour of New Zealand. The raising of the discount on January 20th, 1933, to 124½ New Zealand—100 English was wholly unexpected, and was criticised very sharply in financial circles.

The course of the South African pound in terms of the English pound was in marked contrast to the Australian and New Zealand pounds. When Britain departed from the gold standard in September, 1931, South Africa did not follow suit, and it was not until December 29th, 1932, that the South African was again linked to the English pound. It appears strange that a country which produces the greater part of the world's gold supplies should be forced to abandon the gold standard, yet this is what actually took place. Economic pressure was, in the main, responsible for this step, but the flight of capital from the Union, although curtailed by unofficial restrictions, hastened the day. The South African pound is now quoted at about par with the English pound.

The Canadian dollar during the same period followed in turn the pound sterling and the American dollar, fluctuating very sharply at times. Canada's financial and economic relations with the United States are very close, the greater part of the dominion's eternal debt being in U.S.A. dollars. Canada is recovering gradually from the effects of the world crisis.

## GENERAL OBSERVATIONS.

I have endeavoured to give you some idea of the events which led to the present position of the world's currencies, and to the control over these currencies which is exercised by the various Governments. At the present time exchange restrictions exist in about sixty countries, whereas before the war restriction on transfer was practically unknown.

The more important countries which have adopted exchange control are Argentine Republic, Austria, Brazil, Bulgaria, Chile, China, Colombia, Czechoslovakia, Denmark, Estonia, Germany, Greece, Hungary, Italy, Japan, Yugoslavia, Latvia, Lithuania, Norway, Portugal, Roumania, Russia, Spain, Turkey and Uruguay—a formidable list. In a number of these countries the restrictions aim at preventing capital movements and speculation in exchange, thus leaving the foreign exchange produced by exports to be used for payments for imports and service of the foreign debt. In other countries the service of the foreign debt has been partially suspended, and the proceeds of exports are used almost exclusively to pay for imports. In practically all cases control is exercised through the national banks. It would be quite impossible with the time at my disposal to give you details of the exchange restrictions in force in these various countries. In most cases they are very intricate and are the subject of circulars from the Board of Trade or the Department of Overseas Trade. The District Bank has produced a booklet which is a review of the principal exchange restrictions throughout the world, and this booklet is kept up to date by the issue of supplementary circulars.

I think it advisable in view of a clearing agreement between Britain and Spain to say a few words on exchange clearing. In November, 1931, an agreement of an unusual nature was concluded between Hungary and Switzerland. It was arranged that the trade between the two countries should be financed by the Swiss National Bank and the Bank of Hungary, thus cutting out the private purchases and sales of exchange by Swiss and Hungarian exporters and importers. The essence of the agreement was that Swiss imports from Hungary should be paid for by the proceeds of Swiss exports to Hungary and vice versa. The claims of exporters from both countries were cleared out of the payments made by the importers of their own country. Hungarian importers of Swiss goods had to pay the purchase price in pengoes to the Hungarian National Bank and Swiss importers of Hungarian goods had to pay the purchase price in Swiss francs into a special account kept by the Swiss National Bank. By this means the commercial debts between the two countries were cleared. The example set by the Swiss and Hungarian Governments was followed by many others, and numerous clearing agreements have been concluded between various countries.

Great Britain, although experiencing great difficulty in obtaining payment from many countries, refrained until January 14th from adopting this method of settling trade debts relative to international trade. Payment agreements on similar lines to exchange clearing have been concluded with one or two countries, but payments to the Bank of England have been optional on the part of the British importer and not obligatory, as in the case of exchange clearing agreements. The British Government is, I believe, opposed to the principle of exchange clearing, but it may be that unless the difficulties in transfer are ameliorated in many countries other agreements similar to the one with Spain will be concluded.

It is obvious that these currency difficulties which restrict the free transfer of goods from one country to another interfere seriously with international trade. Exporters to countries where exchange restrictions of any kind are in force have to wait a long time before they receive payment for their goods, although the buyers may have paid the equivalent of the debt in the currency of their own country, either cash against shipping documents or by meeting a bill drawn at a currency. The delay in transfer varies, but in nearly all cases it is from one to twelve months. The difficulties in financing shipments under such conditions are apparent to all of us.

It is clear that before healthy international trade can be restored exchange restrictions will have to be removed. I am leaving out of the question tariff barriers, &c., as these do not come within the scope of my lecture. Steps must be taken to ensure payment within a reasonable time for such exports as are possible under the existing conditions. How is this to be done? Is it to be accomplished by extending the principle of exchange clearing, by currency management or by a general return to the gold standard? Experts differ as to the probable outcome of the present monetary troubles, but I believe I am safe in saying that the majority favour a general stabilisation of currencies and a return to the gold standard.

Is a plan of stabilisation of currencies maintainable in the world as it is? Before the war we had an efficient international monetary standard based on gold. The war destroyed it. By 1929 we had almost restored it, but it collapsed again utterly. Before a second restoration is attempted we must be tolerably sure that the causes of the breakdown have been eliminated.

## District Societies of Incorporated Accountants.

### LONDON.

#### Syllabus of Meetings, 1936-37.

1936.

Oct. 15th. Luncheon at the Savoy Hotel to Sir Stephen Killik, G.B.E., K.C.V.O., at 1 p.m.  
Nov. 6th. Reception and Dance at Incorporated Accountants' Hall, at 8.30 p.m.  
Dec. 8th. Dinner at Incorporated Accountants' Hall, at 7.30 p.m.

1937.

Jan. 12th. "Some Accountancy Problems of Yesterday and To-day," by Mr. E. Furnival Jones, F.C.A., F.S.A.A. At Incorporated Accountants' Hall, at 6 p.m.  
Mar. 19th. Reception and Dance at Incorporated Accountants' Hall, at 8.30 p.m.

### BIRMINGHAM.

#### Syllabus of Meetings, 1936-37.

1936.

Oct. 2nd. Golf Match with Inspectors of Taxes (Birmingham).  
Oct. 19th. "The Alteration in the Law brought about by the 1936 Act," by Mr. G. B. Burr, F.C.I.S., F.T.I.I., Assistant Editor of "Taxation." Chairman: Mr. Arthur W. Watson, F.S.A.A.

Nov. 13th. "Company Law and Company Liquidations," by Mr. E. Westby Nunn, B.A., LL.B. Chairman: Mr. F. M. Hawnt, F.S.A.A. (The Birmingham Chartered Accountants' Students' Society have been invited to this lecture.)

Nov. 27th. "Matters connected with Public Issues of Capital," by Mr. W. J. Back, A.S.A.A. Chairman: Mr. P. G. Stenbridge, F.S.A.A. (The Chartered Institute of Secretaries have been invited to this lecture.)

Dec. 2nd. Dinner at Queen's Hotel.

Dec. 10th. "The Criticism of Published Accounts from the Financial Point of View," by Mr. S. W. Rowland, LL.B., F.C.A. (This lecture will be held at the Chamber of Commerce, and is by invitation of the Institute of Bankers.)

1937.

Jan. 13th. "The Bank of England and its Work," by Mr. W. J. Simpson, F.R.Econ.S., Cert.A.I.B. (This lecture will be held at the Chamber of Commerce, and is by invitation of the Chartered Institute of Secretaries.)

Jan. 21st. Dance at the Midland Hotel.

Feb. 5th. "Accountancy as a Qualification for a Business Man," by Mr. Arthur Collins, F.S.A.A. (By invitation of the Birmingham Chartered Accountants' Students' Society.)

Feb. 12th. "Fraud in Accounts," by Mr. I. Davies, A.S.A.A. Chairman: Mr. H. C. W. Wallond, A.S.A.A. (The Institute of Bankers have been invited to this lecture.)

Feb. 26th. Visit to Birmingham of the Leicester District Society. Visit to Bournville Works.

Mar. 5th. "Income Tax," by Mr. H. R. King, Inspector of Taxes, Birmingham. Chairman: Mr. T. Hannibal, F.S.A.A.

Mar. 12th. "Disclosure on Public Accounts," by Mr. Hargreaves Parkinson, Associate Editor of the "Economist." (This lecture will be held at the Chamber of Commerce, and is by invitation of the Institute of Cost and Works Accountants.)

Apr. 9th. "Executorship, Law and Accounts," by Mr. J. Linahan. Chairman: Mr. T. Harold Platts, F.S.A.A. (The Law Students' Society have been invited to this lecture.)

Lectures will commence at 6.30 p.m., and be held at the Law Library, Temple Street, Birmingham, unless notified to the contrary.

#### DEVON AND CORNWALL.

##### Syllabus of Lectures 1936-37.

To be held at Goodbody's Café, Bedford Street, Plymouth.  
1936.

Sept. 29th.—"Law of Hire Purchase and Modern Finance," by Mr. A. Golberg, LL.B., Solicitor. Chairman: Mr. H. S. Bull, F.S.A.A.

Oct. 22nd.—"Debentures and the Powers and the Duties of Receivers appointed by the Debenture Holders," by Mr. P. H. Walker, F.S.A.A. Chairman: Mr. R. W. G. Taper, A.S.A.A.

Nov. 11th.—"Public Issue Procedure," by Mr. W. J. Back, A.S.A.A. Chairman: Mr. A. W. C. Lyddon, A.S.A.A.

Dec. 9th.—"Executorship Law and Accounts," by Mr. E. Westby-Nunn, B.A., LL.B. Chairman: Mr. W. J. Ching, F.S.A.A.

Dec. 18th.—Students' Evening.  
1937.

Jan. 26th.—"Some Light on the Finance of Gas Undertakings," by Mr. G. H. Bolton, F.C.I.S. Chairman: Mr. S. H. Roberts, F.S.A.A.

Feb. 19th.—Students' Evening.

Mar. 16th.—"Income Tax in Relation to Partnership," by Mr. L. B. Barford, Inspector of Taxes. Chairman: Mr. J. Ainsworth, F.S.A.A.

To be held at 17, Bedford Circus, Exeter.

1936.

Oct. 23rd.—"Debentures and the Powers and the Duties of Receivers appointed by the Debenture Holders," by Mr. P. H. Walker, F.S.A.A. Chairman: Mr. W. H. A. Aplin, F.S.A.A.

1937.

Feb. 16th.—"Reliefs in connection with changes in ownership of Business and of New Businesses," by an Inspector of Taxes. Chairman: Mr. M. J. Dunsford, F.S.A.A.

#### EAST ANGLIA.

##### Syllabus of Lectures, 1936-1937.

1936.

Sept. 18th. "Stock Exchange Practice and Procedure," by Mr. W. J. Back, A.S.A.A.

Oct. 16th. "The Art of Public Speaking," by Mr. Arthur Duxbury.

Nov. 20th.—Mock Meeting. Appeals before the Commissioners of Income Tax.

Dec. 18th.—"Profits and Reserves," by Mr. P. Taggart, F.S.A.A.

1937.

Jan. 15th.—"Valuation of Goodwill," by Mr. C. A. Sales, LL.B., F.S.A.A.

Feb. 19th.—"Fraud in Accounts," by Mr. W. Bertram Nelson, F.S.A.A.

Mar. 19th.—Ten Minute Papers by Members and Students.

All the Meetings will be held at the Royal Hotel, Norwich, at 7.30 p.m.

#### HULL.

##### [STUDENTS' SECTION.]

##### Syllabus of Lectures, 1936-37.

1936.

Oct. 9th. "Total Income from All Sources," by Mr. C. G. Woodfield. Chairman: Mr. R. L. Davy, A.S.A.A. (President).

Oct. 23rd. "Bankruptcy," by Mr. D. Morgan, A.S.A.A. Chairman: Mr. C. P. Lister, A.S.A.A. (Vice-President).

Nov. 23rd. "Economics," by Mr. A. F. George, LL.B., B.Sc.(Econ.). Chairman: Mr. A. H. Crumpton, F.S.A.A.

Dec. 10th. "Misrepresentation and Mistake in Relation to Contracts," by Mr. L. Griffiths, M.A., LL.B., Barrister-at-Law. Chairman: Mr. S. Scotter (President of the District Society).

Dec. 18th. Annual Dance.

1937.

Jan. 15th. "Company Law," by Mr. E. Westby Nunn, B.A., LL.B. Chairman: Mr. R. L. Davy, A.S.A.A. (President).

Jan. 25th. "Fraud in Accounts," by Mr. W. Bertram Nelson, F.S.A.A. Chairman: Mr. S. King, A.S.A.A. (Vice-President).

Feb. 12th. "Executorship Accounts," by Mr. H. A. R. J. Wilson, F.S.A.A. Chairman: Mr. A. Wroot, F.S.A.A.

Mar. 12th. "Currency Control," by Mr. A. S. Wade, City Editor "Evening Standard." Chairman: Mr. R. L. Davy A.S.A.A. (President).

Mar. 19th. Social evening.

#### LEICESTER.

##### Syllabus of Lectures, 1936-37.

##### LECTURES AT LEICESTER.

1936.

Oct. 13th. "Company Liquidations," by Mr. F. Shaw, F.R.Econ.S.

Oct. 27th. "The Foreign Exchanges under Present Day Conditions," by Mr. W. J. Simpson, F.R.Econ.S.

Nov. 25th. "Stock Exchange Practice and Procedure," by Mr. W. J. Back, A.S.A.A.

Dec. 2nd. "The Accountancy Provisions of the Companies Act, 1929," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

1937.

Jan. 19th. "Income Tax," by Mr. C. G. Woodfield, F.R.Econ.S.

Feb. 10th. "Fraud in Accounts," by Mr. I. Davies, A.S.A.A.

Feb. 23rd. "Estate, Legacy and Succession Duty Problems for Examination Candidates," by Mr. E. Westby-Nunn, B.A., LL.B.

Feb. 26th. Visit to Cadbury Bros., Ltd., Bourneville. Particulars to be issued later.

Mar. 10th. "Forecasting in Business," by Mr. W. Bertram Nelson, F.S.A.A.

## LECTURES AT NORTHAMPTON.

1936.

- Nov. 9th. "Estate, Legacy and Succession Duty Problems for Examination Candidates," by Mr. E. Westby-Nunn, B.A., LL.B.
- Nov. 23rd. "Stock Exchange Practice and Procedure," by Mr. W. J. Back, A.S.A.A.
- Nov. 30th. "The Accountancy Provisions of the Companies Act, 1929," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

1937.

- Jan. 18th. "Income Tax," by Mr. C. G. Woodifield, F.R.Econ.S.
- Feb. 8th. "Fraud in Accounts," by Mr. I. Davies, A.S.A.A.

The lectures commence at 6 p.m.

## LIVERPOOL.

The new Liverpool Incorporated Accountants' Hall will be opened by the Lord Mayor of Liverpool (Councillor R. J. Hall) on October 8th, at 6.15 p.m. The Lord Mayor will be accompanied by the Mayors of Birkenhead, Bootle and Wallasey, and members of the Council of the Parent Society who have accepted invitations to be present include Sir Thomas Keens, Mr. C. Hewetson Nelson, J.P., Mr. Henry Morgan, Mr. F. A. Prior, and Mr. A. H. Walkey. The President of the District Society (Mr. T. T. Plender) will preside at the opening, and at a dinner to be held at the Constitutional Club at the close of the ceremony. After the dinner, a dance will be held at the India Buildings Hall, and two President's Receptions have also been arranged at the Hall on the following day (Friday, October 9th).

## Syllabus of Meetings, 1936-37.

1936.

- Oct. 8th. Opening of Liverpool Incorporated Accountants' Hall by Lord Mayor of Liverpool (followed by Dinner at the Constitutional Club and Dance at India Buildings Hall).
- Oct. 14th. "The English Legal System," by Mr. S. R. Dodds, M.A., LL.B. At Southport, at 7.30 p.m.
- Oct. 22nd. "Investigations," by Mr. A. F. Stansfield, A.C.A. At Chester, at 6.45 p.m.
- Oct. 28th. "The Accountancy Provisions of the Companies Act," by Mr. E. Westby-Nunn, B.A., LL.B.
- Nov. 4th. "The Legal Status of Married Women in Relation to Property," by Mr. Bertram B. BENAS, B.A., LL.B., Barrister-at-Law.
- Nov. 13th. "Investment Trusts," by Col. W. Parker, D.S.O., Vice-President of the Chartered Institute of Secretaries. (Joint Meeting with Liverpool Branch of the Chartered Institute of Secretaries.)
- Nov. 26th. "The Change in Investment Fashion," by Mr. Hartley Withers. (Followed by Members' Dinner at the Constitutional Club.)
- Dec. 2nd. "Municipal Cost Accounts," by Mr. J. Boucher, F.S.A.A., Borough Treasurer, Wallasey. At Chester, at 6.45 p.m.
- Dec. 9th. "Stock Exchange Practice and Procedure," by Mr. W. J. Back, A.S.A.A.
- Dec. 17th. "The Accounts of Holding Companies," by Mr. C. A. Sales, LL.B., F.S.A.A.

1937.

- Jan. 6th. "Costing Records and the Financial Books," by Mr. W. W. Bigg, F.C.A., F.S.A.A.
- Jan. 14th. "Income Tax," by Mr. A. L. Montgomery, H.M. Inspector of Taxes. At Chester, at 6.45 p.m.

Jan. 19th. "The Installation of a Costing System." Joint Discussion with the Institute of Cost and Works Accountants, opened by Mr. M. K. Arnott, F.C.W.A.

Feb. 2nd. "Public Speaking." A discussion for Students.

Feb. 26th. "Mechanisation—Machines and Methods," by Major R. N. Barnett, A.S.A.A.

Mar. 4th. "Business Statistics," by Mr. A. Lester Boddington, F.S.S.

Mar. 11th. "Company Reconstructions and Amalgamations," by Mr. Ernest E. Edwards, B.A., Barrister-at-Law. At Chester, at 6.45 p.m.

Mar. 18th. Discussion on Professional Topics.

Mar. Visit to Sir John Holden Fine Spinning Mills at Leigh. (Date to be arranged.)

Meetings are held at 6.15 p.m., unless otherwise indicated, as follows :—

Liverpool—At the Incorporated Accountants' Hall, 25, Fenwick Street (Derby Square).

Chester—Queen Hotel (opposite General Railway Station).

Southport—At the Southport Technical College, Mornington Road.

All Meetings are held in Liverpool unless otherwise stated.

## MANCHESTER.

## Syllabus of Meetings, 1936-37.

## 1936.

- Oct. 9th. Students' Mock Shareholders' Meeting.
- Oct. 14th. Joint Meeting with Manchester Branch of Chartered Institute of Secretaries in the Chartered Accountants' Hall, Spring Gardens. "Fixed Trusts," by Mr. A. E. Kavenagh, F.C.A.
- Oct. 23rd. "Mechanisation and the Auditor," by Mr. A. E. Mosley-Roberts, A.C.A.
- Oct. 30th. Students' Meeting. "Executorship Law and Executorship Accounts," by Mr. E. Westby-Nunn, B.A., Barrister-at-Law.
- Nov. 13th. Students' Meeting. "Fixed Trusts," by Mr. W. H. Grainger, F.S.A.A.
- Nov. 28th. Annual Dance.
- Dec. 11th. Students' Meeting. "Income Tax," by Mr. W. J. Back, A.S.A.A.

## 1937.

- Jan. 15th. "Friendly Societies," by Mr. H. A. Andrews, Barrister-at-Law.
- Jan. 22nd. Students' Meeting. "Accounts and Income Tax in Relation to Partnerships," by Mr. R. Birney, A.C.A.
- Feb. 4th. Students' Debate with Burnley and District Students' Society.
- Feb. 10th. "The Banks and the Financing of Industry," by Mr. D. H. Hodge, Westminster Bank Limited.
- Feb. 26th. "Company Law," by Mr. R. F. Cartwright, LL.B., Solicitor.
- Mar. 5th. "Statistics," by Mr. A. Lester Boddington.
- Mar. 12th. Students' Annual Meeting.
- Mar. 19th. Annual Dinner, Midland Hotel.

Except where otherwise indicated, all Meetings will be held at 6.15 p.m., in the Central Library, St. Peter's Square, Manchester.

## NORTH STAFFORDSHIRE.

## Syllabus of Lectures, 1936-37.

## 1936.

- Oct. 2nd. "The Etiquette of the Profession," by Sir Thomas Keens, F.S.A.A.

Oct. 16th. Students' Night.  
 Nov. 24th. "Statistics," by Mr. W. J. Back, A.S.A.A.  
 Dec. 1st. "Methods of Study," by Mr. H. A. R. J. Wilson, F.S.A.A.

1937.

Jan. 5th. "Executorship and Administrators," by Mr. Ernest Corbishley, Solicitor.  
 Jan. 22nd. "Schedule E Income Tax," by Mr. L. W. Caulcott, Inspector of Taxes.  
 Feb. 9th. "Fraud in Accounts," by Mr. I. Davies, A.S.A.A.  
 Feb. 26th. "Debentures and Powers and Duties of Receivers," by Mr. Percy H. Walker, F.S.A.A.

All Meetings are held at 6.30 p.m. at the Town Hall, Hanley.

**NORTH LANCASHIRE.**  
**Syllabus of Lectures, 1936-37.**

1936.

Oct. 7th. "Income Tax—Claims for Relief, &c.," by Mr. W. G. Wallwork, A.C.A.  
 Oct. 29th. "Auditing Case Law," by Mr. E. Westby-Nunn, B.A., LL.B.  
 Nov. 18th. "The Democracy of a Limited Company," by Mr. G. E. Swarbrick (Student).  
 Dec. 10th. "Matters connected with Public Issues of Capital," by Mr. W. J. Back, A.S.A.A.  
 Dec. 18th. "Accounts of Holding Companies," by Mr. C. A. Sales, LL.B., F.S.A.A.

1937.

Jan. 7th. "Installation of Costing System," by Mr. W. W. Bigg, F.C.A., F.S.A.A.  
 Feb. 11th. "Executorship Accounts," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.  
 Mar. 3rd. "Statistics," by Mr. A. Lester Boddington, F.S.S.

All lectures will be given at the Preston and County Catholic Club, Winckley Square, Preston, and will commence at 7.30 p.m.

**NOTTINGHAM, DERBY AND LINCOLN.**  
**Syllabus of Lectures, 1936-37.**

1936.

Oct. 14th. Opening Evening.  
 Nov. 4th. "Sale of Goods," by Mr. W. A. Boot, M.C. At Lincoln.  
 Nov. 10th. Students' Debate.  
 Nov. 26th. "Matters connected with Public Issues of Capital," by Mr. W. J. Back, A.S.A.A.  
 Dec. 3rd. "Income Tax," by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A.  
 Dec. 16th. "Defalcation and Falsification of Accounts," by Mr. F. A. Roberts, F.S.A.A.

1937.

Jan. 19th. "Auditing Case Law," by Mr. E. Westby-Nunn, B.A., LL.B.  
 Feb. 5th. "Partnership Accounts," by Mr. W. W. Bigg, F.C.A., F.S.A.A.  
 Feb. 11th. "The Valuation of Goodwill," by Mr. I. Davies, A.S.A.A.  
 Mar. 2nd. "Questions on Economics," by Mr. A. Radford, B.Sc.  
 Mar. 18th. Mock Company Meeting.

The meetings will be held at the Reform Club, Victoria Street, Nottingham, except on November 4th.

**SHEFFIELD.**  
**Syllabus of Lectures, 1936-37.**

1936.

Oct. 7th. At the Reform Club. "Some Principles of Income Taxation illustrated from recent High Court Decisions," by Mr. C. G. Woodifield, F.R.Econ.S.

Oct. 14th. At the Central Library. "Executorship Accounts," by Mr. W. H. Grainger, F.S.A.A.  
 Oct. 21st. At the Reform Club. "The Incidence and Ethics of Tax Avoidance," by Mr. R. A. Witty, F.S.A.A.

Nov. 9th. At the Reform Club. Students' Debate with the Bradford District Society.

Nov. 11th. At the Central Library. "Controlling Factors in the Economic Outlook," by Sir Josiah Stamp, G.C.B., D.Sc.

Dec. 2nd. At the Reform Club. "Money and Credit," by Mr. J. Gibson Jarvie.

Dec. 9th. At the Central Library. "Mercantile Law," by Mr. O. Griffiths, M.A., LL.B.

Dec. 18th. Students' Dance. Brincliffe Tennis Club Hall. 1937.

Jan. 13th. At the Central Library. "Company Law," by Mr. E. Westby Nunn, B.A., LL.B.

Jan. 25th. At the Reform Club. "What should Britain Do? The Crisis in Political Thought," by Capt. Harold Macmillan, M.P.

Feb. 10th. At the Central Library. "Income Tax," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

Feb. 17th. At the Central Library. "International Conditions and Relations," by Sir Norman Angell.

Mar. 10th. At the Central Library. "Cost Accounts," by Mr. W. W. Bigg, F.C.A., F.S.A.A.

Mar. 15th. At the Reform Club. "The Secret of Unemployment," by Professor John Hilton. Meetings commence at 6.30 p.m.

**SOUTH WALES AND MONMOUTHSHIRE.**  
**Syllabus of Lectures, 1936-37.**

1936.

Oct. 9th. "Some Practical Points in Auditing," by Mr. Walter Holman, Vice-President, Society of Incorporated Accountants and Auditors. (Joint Meeting with the West of England and the Swansea and South West Wales District Societies.) At Cardiff.

Nov. 10th. "Points connected with Public Issues of Capital," by Mr. W. J. Back, A.S.A.A. At Newport.

Nov. 20th. "Garage Accounts," by Mr. C. E. Rollinson, A.S.A.A. (Cardiff Students.)

Dec. 2nd. Topic Meeting. (Newport Students.)

Dec. 8th. "Executorship Law and Executorship Accounts," by Mr. E. Westby Nunn, F.S.A.A. At Cardiff.

1937.

Jan. 8th. "Rating Practice and Methods of Valuation," by Mr. F. W. Wilson, F.I.S.A. (Newport Students.)

Jan. 28th. "Securities," by Mr. D. Gethin Williams. At Cardiff.

Jan. 29th. "Bonus Shares," by Mr. A. Blackburn, A.S.A.A. (Newport Students.)

Feb. 3rd. Joint Debate between Cardiff and Newport Students.

Mar. 3rd. "Fraud in Accounts," by Mr. Ivor Davies, A.S.A.A. At Newport.

Mar. 19th. "Statistics," by Mr. Noel Cliffe, A.S.A.A. (Newport Students.)

**PRIZE ESSAY SCHEME MEETINGS ARRANGED BY THE STUDENTS' SOCIETIES.**

1936.

Oct. 21st. "The Audit of Non-Trading Concerns," by Mr. T. H. Eddolls.

"Preparation of Accounts from Incomplete Records," by Mr. I. Corbett. At Cardiff.

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Oct. 23rd. "Some Aspects of the Foreign Exchanges," by Mr. R. C. Pugh.  
"Wills," by Mr. W. M. Fell. At Newport.

Nov. 16th. "The Issue of a Prospectus," by Mr. R. Sallis.  
"Building Society's Accounts," by Mr. T. Haslam. At Cardiff.

Dec. 11th. "The Stock Exchange," by Mr. G. A. H. Oliver.  
"Bills of Exchange," by Mr. A. D. G. Jordan. At Newport.

Dec. 14th. "Recent Income Tax Cases," by Mr. G. E. Davies.  
"Multiple Cost Accounts," by Mr. V. G. Fradd. At Cardiff.

1937.

Jan. 6th. "Report of Codification Committee on Income Tax," by Mr. A. G. Pallot.  
"Death Duties," by Mr. A. W. Rowles. At Cardiff.

Jan. 18th. "The Economic Aspect of Re-armament," by Mr. W. R. Matthews.  
"The Value of Cost Accounts," by Mr. E. J. Thomas. At Cardiff.

Feb. 15th. "Recent Developments relating to the Control of Fixed Trusts," by Mr. W. G. Evans.  
"The Auditor and Verification of Liabilities," by Mr. R. J. Alban. At Cardiff.

Feb. 19th. "Sale of Goods," by Mr. G. A. Hulbert.  
"The Legal Position of Infants," by Mr. A. L. Varmen. At Newport.

Mar. 10th. "Compulsory Liquidation," by Mr. H. K. Forster.  
"The Law of Agency," by Mr. A. E. Bradnum. At Cardiff.

A smoking concert organised by the Cardiff Students will be held at the Park Hotel on October 12th, 1936.

The annual dance of the Cardiff Students' Society will be held at the Whitehall Rooms, Park Hotel, November 12th, 1936, and of the Newport Students in February, 1937.

A visit to the Dowlais Works, Cardiff, will be arranged by the Cardiff Students during March, 1937.

The annual dinner of the District Society will be held at the Whitehall Rooms, Park Hotel, Cardiff, in March, 1937.

The meetings of the Cardiff Students' Society will be held at the Welsh National Memorial Offices, Westgate Street, Cardiff, and those of the Newport Students at 24, Bridge Street, Newport.

## Scottish Notes.

[FROM OUR CORRESPONDENT.]

### A Testator's Heirs—Child-bearing Age.

Whether the heirs of a testator fall to be ascertained as at his death or at the death of the last survivor of his daughters, one a *liferentrix* and the other an *annuitant*, was the subject of a judgment by a Bench of seven Judges in a special case before the Court of Session recently. Two inter-connected questions of competence were remitted to the Court for consideration. The first was whether the Court was entitled to treat a woman over sixty years as past the child-bearing age, and the second was whether the trustees were proper contradictors.

The Lord President said the testator died survived by two daughters, and leaving a trust disposition and settlement by which he directed his trustees to pay an annuity of £100 to the younger daughter and the income of the estate (subject to the annuity) to the elder daughter.

He provided that if both his daughters died without leaving heirs of their bodies, the trustees were to pay and make over the capital to the testator's own nearest heirs. The elder daughter was born in 1874 and the younger in 1875. They were, therefore, both over sixty years of age. Neither of them was married.

The parties, the Lord President said, agreed in stating to the Court that the two daughters were past the age of child-bearing. If that could be accepted, the result must be either that the capital of the trust estate (of the value of approximately £26,500) had vested to the "nearest heirs" of the testator as at the death of the testator, or that it would invest in the "nearest heirs" as at the death of the survivor of the two daughters.

His Lordship was of opinion that the Court was entitled to give effect to two main currents of authorities which he had described, and should hereafter, unless the rights of parties other than the issue might be adversely affected, proceed on the assumption that a woman of 53 years of age or over was past the age of child-bearing and could have no issue. This presumption would yield to any specialities which might be brought to the notice of the Court. His Lordship adopted the age of 53 since it was desirable and even necessary to fix some age, and 53 agreed sufficiently with Stair's "50th and 52nd year of age," and was also to some extent supported by English practice, which at least gave some assurance that the age of 53 had not been found to be too low. His Lordship's conclusion was that in the circumstances of the case the trustees were proper contradictors, and that the Court was not precluded from entertaining the case on its merits.

By a majority of four to three, the Court sustained the competency of the case, and decided that the case should be heard on its merits.

### Appointment for Incorporated Accountant.

Mr. Alexander Blackwell, Incorporated Accountant, Peterhead, has been appointed to an important position under the Aberdeenshire County Council.

### Stamp Duty—Appeal.

In a case which came before the First Division of the Court of Session recently an important question as to Stamp Duty was decided on an appeal against an assessment of Stamp Duty made by the Commissioners of Inland Revenue. The appellant desired to have a bungalow erected on ground feued in a district of Aberdeen. She employed as her agent a chartered surveyor, who was also a dealer in heritable property, and the house, selected by the appellant on the site contracted for, was to cost £750 to be paid to him.

The Commissioners were of opinion that the contract between the appellant and the surveyor was one for sale of a house to be erected on the site which he had procured for her, the effect of which was to vest in the appellant the right to have the house erected on the feu, being property within the meaning of sect. 54 of the Stamp Act, at the contract price, and that, accordingly, the sum of £750 was part of the consideration for the conveyance or transfer of the feu.

For the appellant it was contended that the only property, estate or interest in property upon the sale thereof transferred to or vested in her by the feu charter was the land feued to her, that the feu charter was accordingly a conveyance on sale of the land only, and that the Stamp Duty chargeable thereon was 15s., being *ad valorem* duty on the total amount of feu-duty (viz., £138) which would be payable during the period of twenty years next after the day of the date of the instrument.

The Court gave effect to the contention of the appellant holding that the feu-duty was not liable to be assessed and charged with the assessment of the Commissioners, which included the cost of the bungalow, but only on the capitalised value of the feu-duty as contended by the appellant.

The decision in this case governed several other similar cases under appeal.

## Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Session Cases (Scotland)*; S.L.T., *Scots Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland; P., Probate, Divorce and Admiralty.]

### COMPANY LAW.

**In re Ward's Will Trusts; Ringland v. Ward.**

#### *Distribution of Surplus Moneys.*

A testator, who was a shareholder in a shipping company, by his will settled his shares on trusts to pay the dividends, interest and annual income to his widow during her life or until re-marriage, and subject thereto for his children and their issue. The company had no express power in its Articles to increase its capital, but some years before the date of the will had adopted an Article under which it might resolve that any surplus moneys representing the proceeds of sale of capital assets should instead of being applied in the purchase of other capital assets be distributed among the members on the footing that they should receive the same as capital. In exercise of that power the company made a distribution of surplus moneys after the testator's death, out of which the trustees of the will received the sum of £16,000.

It was held that the sum was not income, but must be treated as an accretion to the capital of the shares.  
(Ch. : (1936) 52 T.L.R., 605.)

**Ashby Warner & Co. v. Simmons.**

#### *Charge on Book Debts.*

The London County Council entered into a contract with the N. Company to supply and instal heating apparatus in one of the Council's hospitals. The N. Company entered into a sub-contract with another firm to do part of that work. The N. Company, being subsequently in financial difficulties, wrote a letter to the London County Council directing and authorising the Council to pay direct to the sub-contractors a specified sum out of the money due under the next certificate issued by the engineers to the Council. This letter was not registered under sect. 79 of the Companies Act, 1929.

It was held that the letter in question was an assignment of part of a book debt and was not a charge within the meaning of sect. 79, and therefore did not require registration under that section.  
(C.A. : (1936) 52 T.L.R., 613.)

### EXECUTORSHIP LAW AND TRUSTS.

**In re Skeats; Thain v. Gibbs.**

#### *Construction of Will.*

A testator by his will appointed his wife sole executrix, directed payment of his debts and funeral and testamentary expenses, but did not fill up a blank after the printed words, "I give and bequeath unto . . ." and made no other disposition of his estate.

It was held that his widow did not take the whole estate beneficially, but as trustee for the persons entitled under sect. 46 of the Administration of Estates Act, 1925.

(Ch. : (1936) 52 T.L.R., 558.)

**In re Riddell; Public Trustee v. Riddell.**

#### *Trustee's Income Fee.*

Farwell (J.) held that the public trustee's income fee, payable to him as a trustee in respect of the income of a testator's estate, is an administration expense, and must be borne by the income of the residuary estate generally, no portion thereof being payable out of or charged against any annuities given by the will.  
(Ch. : (1936) 52 T.L.R., 675.)

### REVENUE.

**Bilsland v. Inland Revenue Commissioners.**

#### *Avoidance of Sur-tax.*

The applicant, having a controlling interest in a company which was in a position to declare a very large dividend on its ordinary shares, admittedly avoided sur-tax by selling the shares in a number of small lots at a price equal to the dividend (less income tax) which he promised that the company would declare—a promise which he could fulfil by the use of his voting rights on the preference shares. There had been no previous avoidance of sur-tax by the appellant.

It was held that this avoidance was "exceptional and not systematic" within the meaning of the proviso to sub-section (4) of sect. 33 of the Finance Act, 1927. "Systematic" in that proviso has reference to number, and does not mean "planned" or "devised."  
(K.B. : (1936) 52 T.L.R., 567.)

**Bertram v. Wightman.**

#### *Unoccupied Lands.*

The appellant was assessed under Schedules A and B in respect of about 40 acres of gardens and woodlands surrounding a house owned by him. The appellant vacated the house and lands in December, 1933, and since then had not occupied them nor had they produced any profits or gains. The assessment on the house had been discharged under Rule 4 of No. VII of Schedule A. The lands were not capable of being let for grazing apart from the house.

It was held that the words "person having the use of any lands" in Rule 2 of No. VII of Schedule A meant "person having the right to the use," not "person making actual use," of any lands, and that the appellant was deemed to be the occupier for the purposes of income tax. Occupancy for rating purposes is not necessarily the same as for income tax purposes, since the Act of Elizabeth contains no definition of "occupier" corresponding to Rule 2 of No. VII of Schedule A.  
(K.B. : (1936) 52 T.L.R., 570.)

**Trinidad Petroleum Development Company v. Commissioners of Inland Revenue.**

#### *Profits Brought into Charge.*

A company was entitled, under sect. 33 of the Finance Act, 1925, to set off against profits earned earlier losses exceeding those profits. The company paid interest on a sum of money under deduction of tax, and contended that it was not assessable under Rule 21 of the General Rules applicable to All Schedules of the Income Tax Act, 1918, in respect of that interest inasmuch as the profits out of which the interest had been paid had been brought into charge to tax.

It was held that profits against which earlier losses had been set off under sect. 33 of the Act of 1926, were not profits brought into charge to tax within the meaning of Rule 19, and that the company had been rightly assessed under Rule 21 on the amount deducted by it from the interest paid.  
(K.B. : (1936) 52 T.L.R., 579.)